**Application Proof of**

# Adaspace Technology Co., Ltd.
# 成都国星宇航科技股份有限公司

*(A joint stock company incorporated in the People's Republic of China with limited liability)*

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# Adaspace Technology Co., Ltd.
# 成都国星宇航科技股份有限公司

*(A joint stock company incorporated in the People's Republic of China with limited liability)*

**[REDACTED]**

| | | |
|---|---|---|
| **Total Number of [REDACTED] under the [REDACTED]** | **:** | **[REDACTED] H Shares (subject to the [REDACTED])** |
| **Number of [REDACTED]** | **:** | **[REDACTED] H Shares (subject to [REDACTED])** |
| **Number of [REDACTED]** | **:** | **[REDACTED] H Shares (subject to [REDACTED] and the [REDACTED])** |
| **Maximum [REDACTED]** | **:** | **HK$[REDACTED] per H Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Hong Kong Stock Exchange trading fee of 0.00565% (payable in full on application in Hong Kong dollars and subject to refund)** |
| **Nominal value** | **:** | **RMB0.1 per H Share** |
| **[REDACTED]** | **:** | **[REDACTED]** |

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[REDACTED]

# IMPORTANT

[REDACTED]

# IMPORTANT

[**REDACTED**]

[**REDACTED**]

# EXPECTED TIMETABLE[1]

[**REDACTED**]

# EXPECTED TIMETABLE[1]

[**REDACTED**]

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## OVERVIEW

### Who We Are

Leveraging commercial aerospace and AI as our core technologies, we design and produce commercial satellites, ensuring stable operations and management, while delivering customized satellite-based solutions to meet the diverse needs of our customers.

### Our Vision

We are committed to developing commercial satellite constellations to build an integrated space—ground AI infrastructure, aiming to provide globally stable and sustainable satellite-based solutions and satellite-based computing services that are widely accessible, cost-effective and user-friendly.

To achieve this vision, we have devised a roadmap, structured into the following stages:

***Stage I (our inception to 2022)***. Since our inception, we primarily focused on the in-house development of AI payloads to validate the application of AI technology in satellites operating within complex space environments. As we launched a number of AI payloads and AI application satellites that we independently or jointly developed during Stage I, we collected substantial satellite remote sensing data, which was applied across diverse industry applications, garnering positive market feedback.

***Stage II (2023 to 2027)***. Building on the success of our AI application satellites and market validation, we initiated the development and market promotion of automated spatial dimension enhancement technology for remote sensing data, represented by the Lingjing Engine (靈境引擎). In November 2022, we officially introduced the Lingjing Engine to facilitate the transition from conventional 2D satellite remote sensing data to more sophisticated 3D solutions, significantly enhancing our capabilities in providing satellite-based solutions. Meanwhile, we are expediting the transition from AI application satellites to AI computing satellites. As of the Latest Practicable Date, we had independently developed four AI computing satellites. With XSD-15 launched in 2024, we have successfully completed the world's first technical validation of a large-scale AI model operating in orbit on satellites, according to Frost & Sullivan. We intend to continue advancing the development of AI computing satellites with superior computing power and data processing capabilities, driving the formation of a space-based computing network and promoting the establishment of the globally integrated space—ground AI infrastructure.

***Stage III (2028 onwards)***. We expect to complete and operationalize a globally integrated space—ground AI infrastructure in Stage III to provide satellite-based solutions and satellite-based computing services. This infrastructure is designed to interconnect space-based computing network supported by AI satellites with ground-based computing network, forming an integrated infrastructure that enables high-quality algorithm deployment, seamless satellite remote sensing data processing, advanced computing power and efficient communication between space and ground. Through this infrastructure, we aim to drive the intelligent transformation of industries worldwide, enhancing our industry impact and solidifying our market position.

**Our Achievements**

Since our inception, we have been at the forefront of exploring the intersection of AI and satellite technologies. We have achieved significant achievements in developing AI satellites and satellite-based solutions, driving the innovation and development of the satellite industry. As of the Latest Practicable Date, we had jointly developed six conventional remote sensing satellites and one AI application satellite with our partners; we had also independently developed six AI payloads, four AI application satellites and four AI computing satellites. In addition, as of the Latest Practicable Date, we had successfully completed 13 space missions.

We have continuously enhanced our AI satellite technological capabilities, achieving several industry-leading breakthroughs in the satellite industry. With XSD-15 launched in 2024, we have successfully completed the world's first technical validation of a large-scale AI model operating in-orbit on satellites, according to Frost & Sullivan, which validated the model's operational adaptability to the space environment, reliability of the satellite platforms and the effectiveness of the in-orbit AI computing performance. We also launched the "AI Satellite Network System" project ("AI衛星網絡系統"項目), an initiative focused on advancing satellite data processing through AI and space-edge computing technologies. In 2019, this project was selected by the Ministry of Industry and Information Technology ("MIIT") as a key initiative in AI industrial innovation (工信部新一代人工智能產業創新重點任務). In 2021, we were awarded the MIIT' First Phase AI Industrial Innovation Award (工信部第一期人工智能產業創新揭榜優勝單位) for this project. In addition, leveraging the advanced capabilities of our AI computing satellites with continuous iteration, we are actively advancing the Star-Compute Project ("星算計劃"), seeking to create a space-based computing network consisting of 2,800 AI computing satellites. As of the Latest Practicable Date, the orbits and spectrum of the 2,800 AI computing satellites under the Star-Compute Project had been officially approved and announced by the International Telecommunication Union, marking a significant milestone in establishing our global presence and influence.

With a long-standing focus on the development of AI algorithms and the innovation of commercial solutions, we have successfully developed the Lingjing Engine, an advanced ground-based infrastructure designed for cost-effective and efficient satellite remote sensing data analysis and 3D modeling. The Lingjing Engine utilizes multi-source data fusion technology to swiftly produce highly accurate 3D digital models of real cities from 2D satellite remote sensing data, which are widely deployed across diverse applications, including space intelligence and computing services, digital city applications, urban governance and cultural, tourism, sports and gaming applications. Leveraging our AI algorithms, the Lingjing Engine effectively addresses the challenge of inconsistencies in satellite remote sensing data from different sources, accurately capturing key features such as elevation, buildings, vegetation, road networks, rivers and lakes from remote sensing data to generate 3D digital models with high precision. Compared to conventional techniques used in generating 3D models, the Lingjing Engine ensures smooth scene transitions and consistent visual continuity, delivering an immersive user experience with higher speed and significantly lower cost, according to Frost & Sullivan. Its efficiency and cost-effectiveness have made it a preferred solution for generating high-quality 3D models of urban environments, supporting a broad range of satellite-based solutions across industries.

### Our Technologies

Through years of dedicated R&D, we have developed expertise in satellite and satellite-based solution development. Our core technologies include:

- AI application satellite R&D and production technology adapted to the space environment;
- rapid satellite customization based on modular satellite platforms;
- automated spatial dimension enhancement for remote sensing imagery based on the Lingjing Engine; and
- AI computing satellite R&D and production technology based on the high-power flat-panel satellite platform.

See "Business — Our Technologies."

## OUR STRENGTHS

We believe that the following competitive strengths contribute to our success:

- leading commercial aerospace-focused company specializing in AI satellites;
- efficient satellite-based solutions for diverse application scenarios;
- advanced Lingjing Engine enabling 3D transformation of satellite remote sensing data;
- comprehensive business coverage over satellite production, management and utilization, providing efficient and integrated products and solutions; and
- visionary management with innovative and technology-driven corporate culture.

See "Business — Our Strengths."

## OUR STRATEGIES

We have formulated the following strategies in line with our mission and vision:

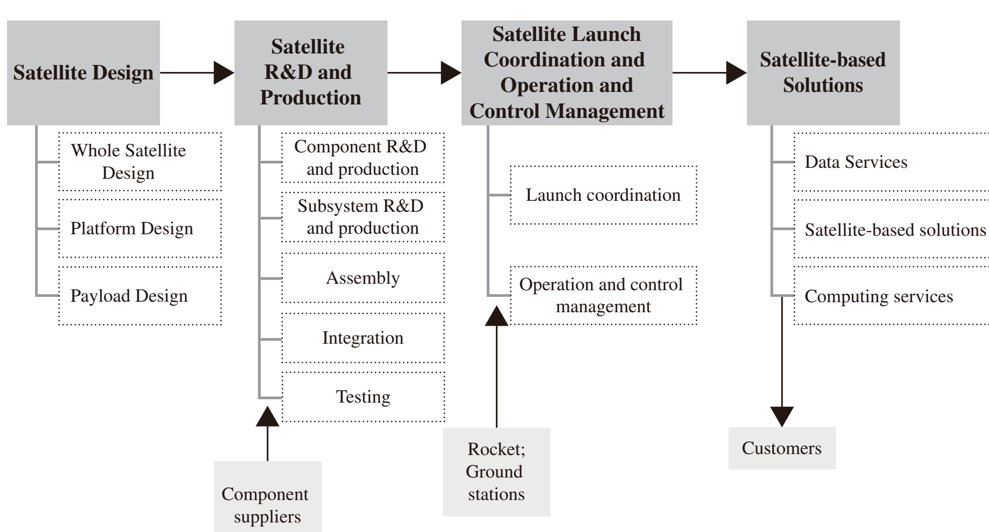
- enhancing economies of scale and improving cost efficiency to advance the Star-Compute Project;
- increasing R&D efforts for AI computing satellites;
- expanding and exploring satellite application scenarios;
- strengthening strategic cooperation, supply chain integration and business synergy; and
- continuously attracting talent for technological innovation.

See "Business — Our Strategies."

## OUR BUSINESS MODEL

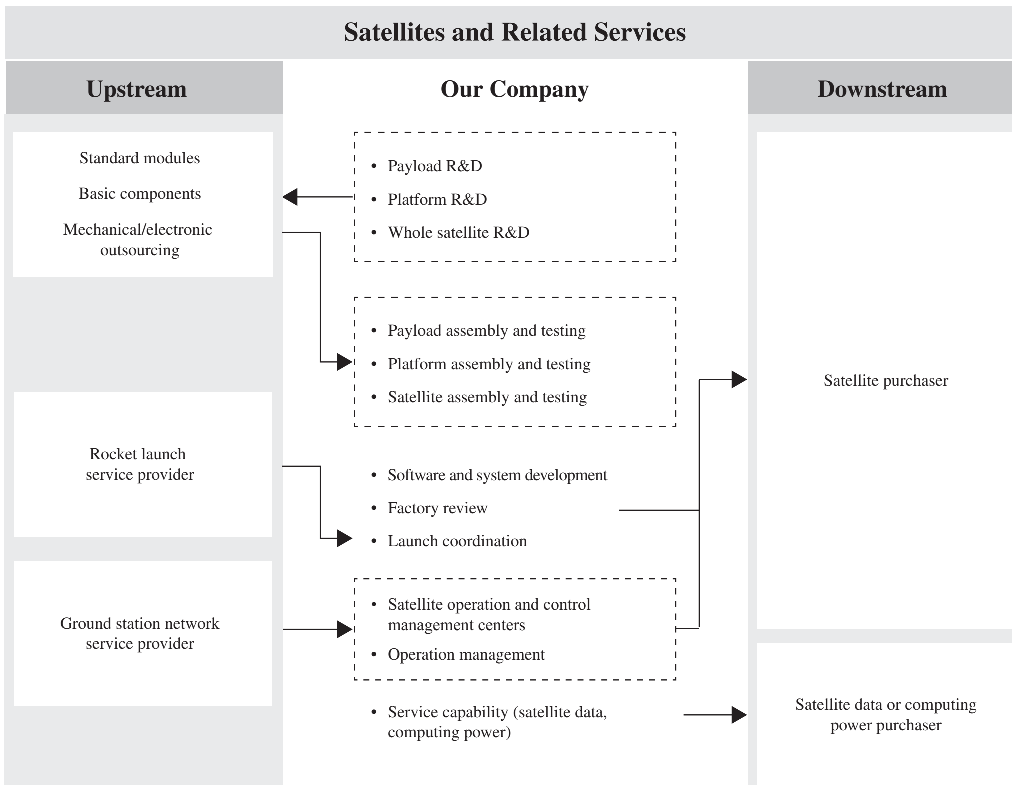
We have adopted an integrated business model encompassing every stage of a satellite's lifecycle, from satellite design, R&D and production, launch coordination and in-orbit operation and control management to satellite-based solutions. Our integrated business model ensures seamless functionality across all phases of satellite deployment and operation, enabling us to collect extensive, high-quality satellite data. This data serves as the foundation for delivering advanced satellite-based solutions, equipping our customers with the insights needed to make informed decisions and foster sustainable growth.

The following chart illustrates our integrated business model across the value chain of the satellite industry:



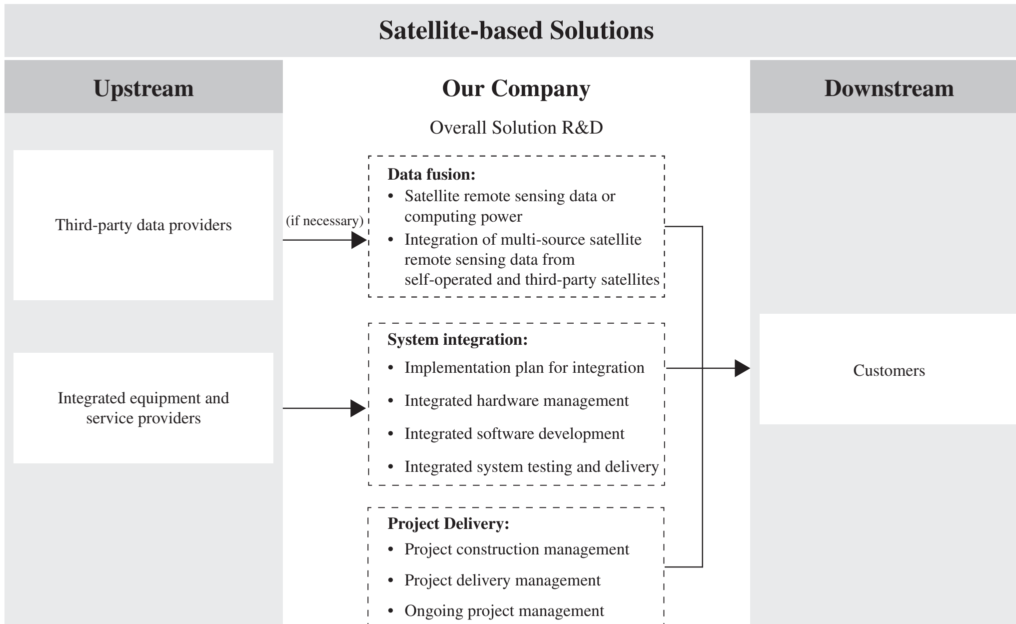
Our satellites and related services cover the entire satellite lifecycle, from payload, platform and whole satellite R&D, assembly and testing, launch coordination and on-orbit delivery to post-launch operation and control management. Our full-lifecycle services ensure customized satellite R&D, efficient satellite delivery and specialized satellite operation and control management, ensuring optimal performance and longevity of the satellites.

The following chart illustrates our business model for satellites and related services:




We also provide customized satellite-based solutions leveraging satellite remote sensing data and our proprietary Lingjing Engine. Through multi-source data fusion as well as system integration, we transform 2D satellite remote sensing data into high-precision 3D digital models that address various industry applications, such as space intelligence and computing services, digital city applications, urban governance and cultural, tourism, sports and gaming applications.

The following chart illustrates our business model for satellite-based solutions:




## OUR PRODUCTS AND SOLUTIONS

We offer a comprehensive suite of products and services across two primary business lines, namely (i) satellites and related services and (ii) satellite-based solutions. The following table sets forth a breakdown of our revenue by business line for the periods indicated:

| | Year ended December 31, | | | | Nine months ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2023 | | 2024 | |
| | Amount | % | Amount | % | Amount | % | Amount | % |
| | | | | | *(Unaudited)* | | | |
| | *(RMB in thousands, except for percentages)* | | | | | | | |
| Satellite-based solutions | 102,947 | 58.0 | 460,328 | 90.7 | 82,260 | 77.7 | 193,370 | 81.5 |
| Satellites and related services | 52,318 | 29.5 | 3,221 | 0.6 | 425 | 0.4 | 27,262 | 11.5 |
| Other services[(1)] | 22,156 | 12.5 | 43,992 | 8.7 | 23,236 | 21.9 | 16,647 | 7.0 |
| **Total** | **177,421** | **100.0** | **507,541** | **100.0** | **105,921** | **100.0** | **237,279** | **100.0** |

*Note:*

(1) Other services primarily include intelligent parking solutions and software and hardware agency services.

### Satellites and Related Services

Satellite and related services form the foundation our entire business. We develop, produce and sell customized satellites based on customers' specific requirements and specifications, while offering related satellite operation and control management for customers opting for our operational services. We primarily focus on the design, R&D and production of LEO satellites, particularly AI satellites. Our satellites generally have a lifecycle ranging from three to five years. At our early stage of development, we have primarily focused on the in-house development of AI payloads to validate the application of AI technology in satellites operating within complex space environments. With a long-standing focus on AI satellite technologies, in 2018, we launched our first AI application satellite. Building on this achievement, we have been committed to expediting the transition from AI application satellites to AI computing satellites. In 2024, we launched our first AI computing satellite, completing the world's first technical validation of a large-scale AI model operating in-orbit on satellites, according to Frost & Sullivan.

#### *Conventional Remoting Sensing Satellites*

We have been developing conventional remote sensing satellites since our inception. Our conventional remote sensing satellites feature miniaturization, low weight, high resolution and multi-spectral imaging capabilities, which enhance the efficiency and versatility of our satellite services. By utilizing conventional remote sensing satellites, we have accumulated a significant amount of remote sensing data, propelling the advancement of our satellite-based solutions. As of the Latest Practicable Date, we had jointly developed six conventional remote sensing satellites with our partners.

#### *AI Application Satellites*

We have developed AI application satellites by integrating AI payloads with AI algorithms into our satellite systems. Our AI application satellites offer AI-driven data analysis and computing services for its own operations, with enhanced remote sensing and data processing capabilities. These satellites can autonomously and efficiently execute high-intensity tasks such as remote sensing data analysis and intelligent decision-making in space. In addition, they can continuously update their onboard AI algorithms through in-orbit reconfiguration, improving performance and expanding application scope. As of the Latest Practicable Date, we had jointly developed one AI application satellite with our partner and independently developed four AI application satellites.

#### *AI Computing Satellites*

Building on the success of our AI application satellites, we have developed and deployed AI computing satellites in space by integrating AI payloads with AI computing power, which represents a significant advancement in space-based computing processing capabilities. Compared to AI application satellites limited to processing their own satellite remote sensing data, our AI computing satellites offer advanced AI-driven data analysis and computing services not only for themselves but also for other spacecraft and ground applications. As of the Latest Practicable Date, we had developed four AI computing satellites. In addition, as of the Latest Practicable Date, we had secured orders for the R&D and production of 20 additional AI computing satellites, and had entered into launch service agreements for 12 of these satellites that we expect to launch in 2025.

### Satellites-Based Solutions

Based on our extensive capabilities in satellite R&D and production, we provide customized satellite-based solutions leveraging satellite remote sensing data and AI algorithms supported by both our space- and ground-based infrastructure. We acquire satellite remote sensing data from both our self-operated satellites, satellites we sold to customers for which we retain data ownership or data access pursuant to our data sharing agreements, or from third-party data providers. Using our proprietary Lingjing Engine that enables multi-source data fusion and data processing, we transform satellite remote sensing data into high-precision 3D digital models for diverse application scenarios. With solutions tailored to meet the specific needs of industries such as cultural tourism and city governance, we empower our customers to optimize operations, enhance decision-making and unlock new opportunities for growth.

### Other Services

During the Track Record Period, we provided certain other services, primarily including intelligent parking solutions and software and hardware agency services. These services encompassed the provision of new energy intelligent charging terminals and supporting facilities, the development of information systems, network systems and management systems, as well as the resale of software and hardware.

See "Business — Our Products and Solutions."

## INTEGRATED SATELLITE R&D AND PRODUCTION MODEL

We are one of the few commercial aerospace companies in China with full-spectrum capability for satellite R&D and production, according to Frost & Sullivan. We were also the earliest commercial aerospace company in China to develop, produce and launch AI application satellites and AI computing satellites, according to Frost & Sullivan. Our satellite operations employ an integrated model that seamlessly combines satellite R&D and production to address the specialized customization needs of the industry. Compared to conventional models that separate these processes, our approach ensures closer alignment between R&D and production, enabling us to effectively translate R&D outputs into high-quality and tailor-made products while maintaining production efficiency. In addition, as we operate under a project-based business model, we currently employ a flexible production strategy tailored to the specific requirements of each project supported by our Chengdu AIT center and Jiaxing satellite testing base. Compared to industries engaged in mass production, there is no meaningful measure of the production capacity of our Chengdu AIT center and Jiaxing satellite testing base.

Our Chengdu AIT center commenced operations in 2021. In addition, we operate a satellite testing base in Jiaxing, Zhejiang Province, which commenced operation in 2024. Together, the Chengdu AIT center and the Jiaxing satellite testing base allow us to develop and produce multifunctional satellites weighing less than 500 kg. Moreover, we are actively expanding our satellite R&D and production capacities by acquiring a parcel of land in Shenzhen (the "Shenzhen Center") in January 2024 with an aggregate GFA of approximately 30,828 sq.m., which was in the process of construction design as of the Latest Practicable Date.

Compared to our Chengdu AIT Center and Jiaxing satellite testing base, which are designed to support satellite R&D and production based on specific project requirements, the Shenzhen Center, upon the approval from the relevant authorities, will represent a strategic step toward the mass production of satellites, enabling us to scale our operations and meet growing market demand.

See "Business — Integrated Satellite R&D and Production Model."

## OUR CUSTOMERS

We primarily sell our products and solutions to customers in the PRC across sectors such as aerospace, electronic products and software development and digital cultural creativity content production, among others. Revenue from our five largest customers in each year/period during the Track Record Period amounted to RMB131.1 million, RMB284.5 million and RMB220.0 million in 2022, 2023 and the nine months ended September 30, 2024, respectively, accounting for 73.9%, 56.1% and 92.7% of our total revenue for the same periods, respectively. Revenue from our largest customer in each year/period during the Track Record Period amounted to RMB87.3 million, RMB109.1 million and RMB173.3 million in 2022, 2023 and the nine months ended September 30, 2024, respectively, accounting for 49.2%, 21.5% and 73.0% of our total revenue for the same periods. See "Business — Our Customers."

## OUR SUPPLIERS

Our suppliers primarily comprise (i) providers for satellite-based solutions, such as software and hardware, (ii) satellite material providers for satellite production, such as laser communication payloads and Hall thrusters, and (iii) launch service providers. Purchases from our five largest suppliers in each year/period during the Track Record Period amounted to RMB43.2 million, RMB490.6 million and RMB240.5 million in 2022, 2023 and the nine months ended September 30, 2024, respectively, representing 29.9%, 60.5% and 69.6% of our total purchases for the same period, respectively. Purchases from our largest supplier in each year/period during the Track Record Period amounted to RMB14.9 million, RMB294.1 million and RMB109.6 million, respectively, representing 10.3%, 36.3% and 31.7% of our total purchases for the same period, respectively. See "Business — Our Suppliers."

## COMPETITION LANDSCAPE

We compete with a number of domestic companies focusing on the R&D, production, launching and application of satellites, including those with extensive marketing and sales networks and strong industry experience. According to Frost & Sullivan, we were the fastest-growing commercial aerospace company in China's satellite industry by revenue growth rate during the Track Record Period. We ranked eighth among China's private commercial aerospace companies with satellite-related businesses by revenue in 2023, with a market share of 1.9%. We ranked second among all China's private commercial aerospace companies that manage the full satellite industry value chain by revenue in 2023. In addition, in terms of the cumulative number of AI satellites launched as of the Latest Practicable Date, we ranked first among all private commercial aerospace companies in China. We believe our robust AI satellite technologies, accumulation of satellite remote sensing data, deep-rooted relationship with customers and sophisticated talent pool allow us an advantageous position among existing and incoming industry players. See "Business — Competition."

## SUSTAINABILITY

We have experienced steady business growth throughout the Track Record Period. Our revenue increased significantly from RMB177.4 million in 2022 to RMB507.5 million in 2023, reflecting a robust upward trajectory. Additionally, our revenue continued to increase significantly from RMB105.9 million in the nine months ended September 30, 2023 to RMB237.3 million in the same period in 2024. Correspondingly, our gross profit saw substantial growth, rising from RMB45.0 million in 2022 to RMB71.1 million in 2023. We also recorded a significant increase in gross profit from RMB19.3 million in the nine months ended September 30, 2023 to RMB61.4 million in the same period in 2024.

However, during the Track Record Period, our revenue growth has not fully offset the costs and expenses incurred. The net losses primarily stemmed from our position in the early ramp-up stage, where we concentrated on developing core technologies to enhance our AI algorithms and computing power, alongside the R&D and launch of AI satellites. These efforts were essential for establishing a space-based computing network to support the continuous development of our satellite-based solutions. At this stage, we strategically prioritized customer acquisition and relationship development while also focusing on talent retention through competitive compensation packages. These early-stage investments, while necessary for long-term growth, have delayed our ability to realize the economic benefits of AI satellites and to fully leverage the economies of scale expected from mass production.

As we move forward, we anticipate improved profitability in our AI satellite business, driven by several factors: (i) the expansion of our customer base and an increase in project value as the technology matures and the satellite remote sensing data accumulates; (ii) cost efficiencies achieved through enhanced production processes and the use of industrial-grade components; (iii) economies of scale resulting from mass production; and (iv) a reduction in satellite launch costs driven by intensified competition in the rocket market and advancement in launch technology.

See "Business — Sustainability."

## ARRANGEMENT FOR BUSINESS ACTIVITIES ON THE NEGATIVE LIST

As of the Latest Practicable Date, certain of our product application scenarios fell within the "prohibited category" in the Special Administrative Measure (Negative List) for the Access of Foreign Investment (2024 Version) issued by the NDRC and MOFCOM (the "Negative List"), including (i) 3D reality mapping (the "Relevant Application Scenario"); and (ii) other surveying and mapping and geology-related services (the "Other Relevant Application Scenarios"). See "Regulatory Overview — Regulations in Relation to Foreign Investment." As advised by our PRC Legal Advisor, foreign investors are prohibited from holding any equity interest in any entity engaged in such prohibited businesses. See "Risk Factors — Risks Relating to Our Business and Industry — Policies on foreign investment in the PRC may adversely affect our business and results of operations."

As of the Latest Practicable Date, all our existing Shareholders were domestic, and none of them were foreign investors. In light of the [**REDACTED**] and the [**REDACTED**], to comply with the Negative List, we have undertaken to adjust our business arrangement ("Business Arrangement Adjustment") concerning the Relevant Application Scenario and the Other Relevant Application Scenarios before the [**REDACTED**]. For the Relevant Application Scenario, we have entered into framework agreements with qualified third parties, pursuant to which we will procure 3D reality maps generated by the relevant qualified third parties based on 2D satellite remote sensing data provided by us. We will authorize such qualified third parties to use our technologies or intellectual properties when they perform their obligations under such contracts in the future. Further, we have undertaken to cease all business prohibited (including our Other Relevant Application Scenarios) under the Negative List and other applicable laws and regulations relating to foreign investment prior to [**REDACTED**] and will continue to comply with applicable laws and regulations in relation to foreign investment ("Undertaking"). As advised by our PRC Legal Advisor, based on the Business Arrangement Adjustment and Undertaking, we do not and will not violate any applicable laws and regulations relating to foreign investment.

## APPROVAL OF THE RELEVANT NATIONAL MINISTRY FOR SATELLITES

As of the Latest Practicable Date, the necessary approval from the relevant national ministry was not obtained for five of the satellites for which we held radio frequency use permit and radio station license (the "Relevant Satellites") prior to their production.

Over the past decade, China's commercial aerospace industry has experienced a period of rapid early-stage development, marked by significant technological advancements largely driven by the dedicated efforts of technical experts. We have established a team primarily composed of our R&D and production experts who have been pivotal in advancing our technological capabilities. The technical experts have concentrated their efforts on enhancing the commercial aerospace industry and improving the R&D and production capacities for satellites, and could be relatively slow in their adaptation to the regulatory development. Our Company was established during this nascent development phase of China's commercial aerospace industry with relatively short history. Therefore, we had limited past experience or established industry practices for reference and did not fully understand the requirements of the relevant PRC laws and regulations, resulting in the failure to timely obtain the approval from the relevant national ministry for the Relevant Satellites. We have reported the above incidents to the NDRC.

We commit to enhancing our understanding and implementation of relevant laws and regulations, and will strictly complete all subsequent filing work in accordance with the relevant laws and regulations. Taking into account the relevant factors, our PRC Legal Advisor is of the view that the failure to obtain the NDRC approval for the Relevant Satellites will not affect our Group's subsequent submission of the applications with respect to the new satellites in compliance with the relevant laws and regulations and the production of the new satellites after obtaining the approvals from the NDRC. Our Directors are of the view that the aforementioned incident would not have any material adverse effect on our business, financial condition and results of operations.

We are committed to continuously strengthening compliance management throughout the entire satellite sales, R&D, production, launch and management process. We have implemented enhanced internal control measures to ensure future compliance with regulatory requirements.

See "Business — Legal Proceedings and Compliance — Compliance — Approval of the Relevant National Ministry for Satellites."

## RISK FACTORS

Our business and the [**REDACTED**] involve certain risks as set out in the section headed "Risk Factors" in this document. You should read that section in its entirety carefully before you decide to invest in our Shares. Some of the major risks we face include:

- As the satellite industry is rapidly evolving, it is difficult to forecast market demand for our products and solutions. If the market for satellites and satellite-based solutions does not continue to grow as expected, it could materially and adversely affect our business, financial condition and results of operations.

- If we are unable to compete effectively, our business, financial condition and results of operations may be materially and adversely affected.

- Any change in launch schedules or failure of our launch service providers to successfully launch our satellites into space, our business, financial condition and prospects may be materially and adversely affected.

- The satellite industry is subject to extensive regulations and government policies. Failure to obtain and maintain the required licenses and approvals for our satellite operations could adversely impact our business, financial condition and results of operations.

- We relied on a limited number of customers during the Track Record Period. If we fail to expand our customer base, or if our customers decrease their purchases or delay inspection or acceptance of our products and solutions, our business, results of operations, financial condition and prospects may be materially and adversely affected.

- We relied on a limited number of suppliers during the Track Record Period.

- Any failure of our satellites to operate as intended may impact our ability to provide satellite-based solutions.

See "Risk Factors."

## SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following sets forth summary financial data from our consolidated financial information for the Track Record Period, extracted from the Accountant's Report set out in Appendix I to this document. These summary financial data should be read together with our consolidated financial statements included in the Accountant's Report in Appendix I to this document, including the accompanying notes, as well as the section headed "Financial Information."

### Summary of Results of Operations

The following table sets forth a summary of our results of operations for the periods indicated:

| | Year ended December 31, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | **2022** | **2023** | **2023** | **2024** |
| | | | *(Unaudited)* | |
| | *(RMB in thousands)* | | | |
| **Revenue** | **177,421** | **507,541** | **105,921** | **237,279** |
| Cost of sales | (132,422) | (436,476) | (86,645) | (175,883) |
| **Gross profit** | **44,999** | **71,065** | **19,276** | **61,396** |
| Selling and marketing expenses | (35,380) | (41,984) | (30,401) | (20,105) |
| General and administrative expenses | (71,287) | (131,226) | (86,824) | (130,996) |
| Research and development expenses | (45,820) | (53,478) | (30,825) | (104,852) |
| Net impairment losses on financial assets | (6,835) | (20,758) | (6,263) | (3,654) |
| Other income | 14,189 | 27,025 | 16,132 | 2,770 |
| Other gains – net | 9,648 | 12,400 | 9,365 | (16,016) |
| **Operating loss** | **(90,486)** | **(136,956)** | **(109,540)** | **(211,457)** |
| Finance income | 361 | 733 | 440 | 788 |
| Finance costs | (776) | (2,241) | (1,656) | (2,182) |
| Finance costs – net | (415) | (1,508) | (1,216) | (1,394) |
| Share of loss of investments accounted for using the equity method | – | (710) | (522) | (823) |
| **Loss before income tax** | **(90,901)** | **(139,174)** | **(111,278)** | **(213,674)** |
| Income tax expenses | (6) | (126) | (2) | (1) |
| **Loss and total other comprehensive loss for the year/period** | **(90,907)** | **(139,300)** | **(111,280)** | **(213,675)** |

See "Financial Information — Description of Major Components of Our Results of Operations."

### *Non-IFRS Measures*

We use adjusted net loss (non-IFRS measure) in evaluating our operating results during the Track Record Period, which is not required by or presented in accordance with IFRS as an additional financial measure to supplement our consolidated financial statements, which are presented in accordance with IFRS. We believe that the non-IFRS measure provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of adjusted net loss (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under IFRS.

We define adjusted net loss (non-IFRS measure) as net loss for the year or period adjusted by adding back share-based payments and [**REDACTED**] expenses. The following table reconciles our adjusted net loss (non-IFRS measure) for the periods presented in accordance with IFRS, which is net loss for the periods:

| | Year ended December 31, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | **2022** | **2023** | **2023** | **2024** |
| | | | *(Unaudited)* | |
| | *(RMB in thousands)* | | | |
| **Loss for the year/period** | **(90,907)** | **(139,300)** | **(111,280)** | **(213,675)** |
| **Add:** | | | | |
| Share-based payments[1] | 23,617 | 48,610 | 34,805 | 70,316 |
| [**REDACTED**] expenses[2] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| **Adjusted net loss (non-IFRS measure)** | **(67,290)** | **(90,690)** | **(76,475)** | **(132,766)** |

*Note:*

(1) Share-based payments represent the non-cash expenses in relation to our share award to certain senior management members and employees. See Note 32 of Appendix I to this document.

(2) [**REDACTED**] expenses represent expenses relating to this [**REDACTED**]. See "Financial Information — [**REDACTED**] Expenses." Such expenses were typically one-off and non-recurring in nature.

Our revenue increased significantly from RMB177.4 million in 2022 to RMB507.5 million in 2023, primarily due to an increase in revenue from satellite-based solutions, which was attributable to our enhanced customer acquisition and securing higher-value contracts, including solutions for space intelligence and computing service and applications of urban integrated governance service. Our revenue increased significantly from RMB105.9 million in the nine months ended September 30, 2023 to RMB237.3 million in the nine months ended September 30, 2024, primarily due to the increase in revenue from satellite-based solutions, which was attributable to the more sophisticated solutions provided for an increasingly diversified application scenarios such as the space intelligence and computing services, driven by our accumulation of satellite remote sensing data and improved algorithms, computing power and automated spatial dimension enhancement for remote sensing data.

We had a net loss of RMB90.9 million, RMB139.3 million, RMB111.3 million and RMB213.7 million in 2022, 2023 and the nine months ended September 30, 2023 and 2024, respectively. Our loss-making position is primarily as a result of the combination of the following: (i) the gross profit margin fluctuations in satellites and related services; and (ii) our relatively high research and development expenses and general and administrative expenses. See "Business — Sustainability — Analysis on Historical Losses."

**Selected Items from the Consolidated Statements of Financial Position**

The following table sets forth selected information from our consolidated statements of financial position as of the date indicated:

| | As of December 31, | | As of September 30, |
|---|---|---|---|
| | **2022** | **2023** | **2024** |
| | | | *(Unaudited)* |
| | | *(RMB in thousands)* | |
| Non-current assets | 49,070 | 418,551 | 489,895 |
| Current assets | 506,330 | 1,038,722 | 882,409 |
| **Total assets** | **555,400** | **1,457,273** | **1,372,304** |
| Non-current liabilities | 13,190 | 18,293 | 10,943 |
| Current liabilities | **118,950** | **614,438** | **669,530** |
| **Total liabilities** | **132,140** | **632,731** | **680,473** |
| Net current assets | **387,380** | **424,284** | **212,879** |
| **Total equity and liabilities** | **555,400** | **1,457,273** | **1,372,304** |

Our net current assets decreased by 49.8% from RMB424.3 million as of December 31, 2023 to RMB212.9 million as of September 30, 2024, primarily because we used current assets to finance certain non-current assets, primarily the additions to our property, plants and equipment, including construction in progress and leasehold improvements, and prepayment for Shenzhen Center and Jiaxing satellite testing base, during the nine months ended September 30, 2024.

Our net current assets increased by 9.5% from RMB387.4 million as of December 31, 2022 to RMB424.3 million as of December 31, 2023, primarily due to the increase in current assets resulting from the capital contribution from shareholders partially offset by the use of current assets to finance certain non-current assets, primarily the additions to our property, plants and equipment, mainly construction in progress, and prepayment for Shenzhen Center and Jiaxing satellite testing base, during 2023.

See "Financial Information — Discussion of Selected Items from the Consolidated Statements of Financial Position."

**Summary of the Consolidated Statements of Cash Flow**

The following table sets forth our cash flow for the periods indicated:

| | **Year ended December 31,** | | **Nine months ended September 30,** | |
|---|---|---|---|---|
| | **2022** | **2023** | **2023** | **2024** |
| | | | *(Unaudited)* | |
| | *(RMB in thousands)* | | | |
| Net cash flows used in operating activities | (113,790) | (313,474) | (200,344) | (165,809) |
| Net cash flows (used in)/ generated from investing activities | 4,885 | (121,262) | (288,787) | 120,141 |
| Net cash flows generated from financing activities | 122,538 | 521,302 | 505,521 | 31,837 |
| Net increase/(decrease) in cash and cash equivalents | 13,633 | 86,566 | 16,390 | (13,831) |
| Cash and cash equivalents at beginning of the year | 24,392 | 38,025 | 38,025 | 124,591 |
| Effects of exchange rate changes on cash and cash equivalents | – | – | – | – |
| Cash and cash equivalents at end of year/period | 38,025 | 124,591 | 54,415 | 110,760 |

In the nine months ended September 30, 2024, our net cash flows used in operating activities was RMB165.8 million, which was primarily attributed to our loss before tax of RMB213.7 million, as adjusted by (i) non-cash and non-operating items, primarily comprising (a) share-based payments for employees of RMB70.3 million, (b) loss on disposal of property, plant and equipment of RMB16.5 million, and (c) depreciation of property, plant and equipment of RMB20.0 million; and (ii) changes in working capital, which primarily comprised (a) an increase in inventories of RMB56.2 million mainly due to our increased customer orders, and (b) an increase in contract assets of RMB19.4 million, mainly due to the increased number of customer orders to be fulfilled, which is partially offset by a decrease in other receivables of RMB27.5 million, mainly related to the decreased advances on behalf of our customers for our software and hardware agency services.

In 2023, our net cash flows used in operating activities was RMB313.5 million, which was primarily attributed to our loss before tax of RMB139.2 million, as adjusted by (i) non-cash and non-operating items, primarily comprising (a) share-based payments for employees of RMB48.6 million, and (b) provision for loss allowance of receivables of RMB20.8 million; and (ii) changes in working capital, which primarily comprised (a) an increase in trade receivables of RMB393.8 million, mainly due to our increased customer orders around year-end, (b) an increase in other receivables of RMB92.7 million, mainly due to increased advances on behalf of customers for our software and hardware agency business, and increased performance security deposits related to the increase in our satellite-based solutions business, and (c) an increase in inventories of RMB30.5 million, mainly due to our increased customer orders and satellites under production, which is partially offset by (a) an increase in trade and other payables of RMB249.3 million, mainly due to the increased procurement for our satellite-based solutions business, as well as the acquisition of our headquarter building in Chengdu, and an increase in purchase on behalf of our customers for our software and hardware agency services, and (b) and increase in contract liabilities of RMB39.1 million, mainly due to the increased number of customer orders to be fulfilled.

In 2022, our net cash flows used in operating activities was RMB113.8 million, which was primarily attributed to our loss before tax of RMB90.9 million, as adjusted by (i) non-cash and non-operating items, primarily comprising share-based payments for employees of RMB23.6 million; and (ii) changes in working capital, which primarily comprised (a) an increase in trade receivables of RMB99.9 million, primarily due to our increased customer orders, and (b) an increase in prepayments and other current assets of RMB17.4 million, mainly due to the increase in our satellited-based solutions business, which is partially offset by (a) an increase in trade and other payables of RMB26.1 million, mainly due to the increased procurement for our growing business, and (b) an decrease in inventories of RMB25.0 million, primarily due to our increased customer orders.

See "Financial Information — Liquidity and Capital Resources — Cash Flow."

### Key Financial Ratios

The following table sets out our key financial ratios for the periods indicated:

| | Year ended/As of December 31, | | Nine months ended/ As of September 30, | |
|---|---|---|---|---|
| | 2022 | 2023 | 2023 | 2024 |
| Gross profit margin (%)[(1)] | 25.4 | 14.0 | 18.2 | 25.9 |
| Net loss margin (%)[(2)] | (51.2) | (27.4) | (105.1) | (90.1) |
| Adjusted net loss margin (non-IFRS measure) (%)[(3)] | (37.9) | (17.9) | (72.2) | (56.0) |
| Current ratio[(4)] | 4.3 | 1.7 | NA | 1.3 |
| Gearing ratio (%)[(5)] | 2.8 | NA | NA | NA |

*Notes:*

(1) Gross profit margin equals gross profit divided by revenue and multiplied by 100%.

(2) Net loss margin equals net loss for the year or period divided by revenue for the year or period and multiplied by 100%.

(3) Adjusted net loss margin (non-IFRS measure) equals adjusted net loss (non-IFRS measure) for the year or period divided by revenue for the year or period and multiplied by 100%.

(4) Current ratio equals current assets divided by current liabilities as of the same date.

(5) Gearing ratio equals net debts (including borrowings and lease liabilities less cash and cash equivalents) divided by the total equity as of the end of the respective period and multiplied by 100%.

## OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Dr. Lu was entitled to exercise the voting rights attaching to 48.71% of the total issued Shares through Beijing New Era Space and Beijing Xingrong Yuhang, which are controlled by Dr. Lu by virtue of his role as their respective general partner, comprising the voting rights attaching to (i) 10.07% of the total issued Shares directly held by Beijing New Era Space; (ii) 23.51% of the total issued Shares directly held by Beijing Xingrong Yuhang; and (iii) 15.13% of the total issued Shares controlled by Beijing Xingrong Yuhang by virtue of the AIC Arrangements. As disclosed in "History, Development and Corporate Structure — Acting-in-Concert Arrangements", the acting-in-concert arrangement between Beijing Xingrong Yuhang and each of the AIC Shareholders will continue to be effective up until the time immediately prior to the [**REDACTED**].

Therefore, immediately following completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), Dr. Lu, through Beijing New Era Space and Beijing Xingrong Yuhang, shall be entitled to exercise the voting rights attaching to [**REDACTED**]% of the total issued Shares. Accordingly, Dr. Lu, Beijing New Era Space and Beijing Xingrong Yuhang constitute a group of Controlling Shareholders upon [**REDACTED**] for the purpose of the Listing Rules.

See "Relationship with our Controlling Shareholders."

## [**REDACTED**] STATISTICS

| | **Based on [REDACTED] of HK$[REDACTED] per H Share** | **Based on [REDACTED] of HK$[REDACTED] per H Share** |
|---|---|---|
| Market capitalization of our Shares *(Note 1)* | HK$[**REDACTED**] | HK$[**REDACTED**] |
| Unaudited [**REDACTED**] adjusted consolidated net tangible assets attributable to owners to our Company per Share *(Note 2)* | HK$[**REDACTED**] | HK$[**REDACTED**] |

*Notes:*

1. The calculation of market capitalization is based on [**REDACTED**] Shares expected to be in issue immediately upon completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised).

2. The unaudited [**REDACTED**] net tangible assets per [**REDACTED**] is arrived at after the adjustments of the estimated net [**REDACTED**] from the [**REDACTED**] and on the basis that [**REDACTED**] Shares were in issue, assuming that the [**REDACTED**] had been completed on September 30, 2024, but takes no account of any Shares which may fall to be issued upon the exercise of the [**REDACTED**] or any Shares which may be issued or repurchased by the Company pursuant to the general mandates.

## DIVIDENDS

No dividends have been paid or declared by our Company during the Track Record Period. Currently, we do not have a fixed dividend distribution ratio. Any future declarations and payments of dividends will be at the discretion of our Directors and will depend on our actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors which our Directors consider relevant. As advised by our PRC legal Advisor, no dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Any future net profit that we make will have to be first applied to make up for our historically accumulated losses, after which we will be obliged to allocate 10% of our net profit to our statutory common reserve fund until such fund has reached more than 50% of our registered capital. Our Shareholders in a general meeting may approve any declaration of dividends recommended by our Board. We do not expect to pay dividends in 2024.

## USE OF [REDACTED]

Assuming that the [**REDACTED**] is not exercised, after deducting the [**REDACTED**] commissions and other estimated [**REDACTED**] expenses payable by us in connection with the [**REDACTED**] and assuming an [**REDACTED**] of HK$[**REDACTED**] per Share (being the mid-point of the indicative [**REDACTED**]), we estimate that we will receive net [**REDACTED**] approximately HK$[**REDACTED**] from the [**REDACTED**]. We intend to use the net [**REDACTED**] from the [**REDACTED**] for the purposes and in the amounts set forth below:

- approximately [**REDACTED**] of the net [**REDACTED**], or HK$[**REDACTED**], will be used for the construction of the Shenzhen Center, upon the approval from the relevant authorities, for satellite R&D and production to meet the increasing market demand;
- approximately [**REDACTED**] of the net [**REDACTED**], or HK$[**REDACTED**], will be used for enhancing our R&D capabilities;
- approximately [**REDACTED**] of the net [**REDACTED**], or HK$[**REDACTED**], will be used for selectively pursuing strategic investment and acquisition opportunities to enhance our products, diversify our satellite-based solutions, and broaden our customer base as part of our long-term growth strategy; and
- approximately [**REDACTED**] of the net [**REDACTED**], or HK$[**REDACTED**], will be used for working capital and other general corporate purposes.

See "Future Plans and Use of [**REDACTED**]."

## [REDACTED] EXPENSES

We recorded [**REDACTED**] expenses of [**REDACTED**], [**REDACTED**], [**REDACTED**] and RMB[**REDACTED**] for the year ended December 31, 2022 and 2023 and the nine months ended September 30, 2023 and 2024, respectively. We expect to incur a total of approximately RMB[**REDACTED**] (HK$[**REDACTED**]) of [**REDACTED**] expenses in connection with the [**REDACTED**], representing approximately [**REDACTED**]% of the gross [**REDACTED**] from the [**REDACTED**] (assuming an [**REDACTED**] of HK$[**REDACTED**], being the mid-point of the indicative [**REDACTED**] range and assuming that the [**REDACTED**] is not exercised), including (i) [**REDACTED**] commissions, SFC transaction levy, Stock Exchange trading fees and AFRC transaction levy for all [**REDACTED**] of approximately RMB[**REDACTED**] (HK$[**REDACTED**]), and (ii) [**REDACTED**] related expenses of approximately RMB[**REDACTED**] (HK$[**REDACTED**]), which consist of (a) fees and expenses of sponsor, legal advisors and accountants of approximately RMB[**REDACTED**] (HK$[**REDACTED**]), and (b) other fees and expenses of approximately RMB[**REDACTED**] (HK$[**REDACTED**]). Approximately RMB[**REDACTED**] (HK$[**REDACTED**]) is expected to be charged to our consolidated statements of profit or loss, and approximately RMB[**REDACTED**] (HK$[**REDACTED**]) is expected to be deducted from equity. The [**REDACTED**] expenses above are the best estimate as of the Latest Practicable Date and for reference only. The actual amount may differ from this estimate.

## APPLICATION FOR [REDACTED] ON THE STOCK EXCHANGE

We have applied to the Stock Exchange for the granting of the [**REDACTED**] of, and permission to deal in, our H Shares to be issued pursuant to the [**REDACTED**] (including any additional H Shares which may be issued pursuant to the exercise of the [**REDACTED**] and the H Shares to be converted from Unlisted Shares) on the basis that, among other things, we satisfy the market capitalization/revenue test under Rule 8.05(3) of the Listing Rules.

## RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Our satellite and related services and satellite-based solutions businesses had continued to grow subsequent to the Track Record Period. Subsequent to the Track Record Period and up to the Latest Practicable Date, we had secured customer orders for seven AI computing satellites. We had also entered into a satellite sales agreement to sell XSD-18, one of our AI computing satellites that was launched on February 3, 2024 pursuant to which we shall transfer the ownership and control of XSD-18 to our customer in orbit. In addition, we had entered into a satellite data service provision agreement. However, as we are still in our early development stage, we expect to incur net loss for the year ended December 31, 2024. See "Financial Information."

Our Directors have confirmed that up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since September 30, 2024 (being the date of our latest audited financial statements) and there has been no event since September 30, 2024 which would materially affect the information shown in the Accountant's Report set out in Appendix I to this document.

*In this document, unless the context otherwise requires, the following expressions shall have the following meanings.*

| | |
|---|---|
| "Accountant's Report" | the accountant's report from the reporting accountant of our Group, the text of which is set out in Appendix I to this document |
| "affiliate" | with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person |
| "AFRC" | the Accounting and Financial Reporting Council of Hong Kong |
| "Aoyrise Industry" | Shanghai Aoyrise Industry Development Group Co., Ltd. (上海奧燁實業發展集團有限公司), a company established on March 24, 2020 under the laws of the PRC with limited liability |
| "Articles of Association" | the articles of association of our Company, conditionally adopted on January 19, 2025 with effect from the [**REDACTED**], a summary of which is set out in Appendix VI to this document |
| "Audit Committee" | the audit committee of our Company, the details of which are described in "Corporate Information" in this document |
| "Beijing Guoxing Yuhang" | Beijing Guoxing Yuhang Technology Co., Ltd. (北京國星宇航科技有限公司), a company established under the laws of the PRC with limited liability on April 11, 2018 and a wholly owned subsidiary of our Company |
| "Beijing New Era Space" | Beijing New Era Space Enterprise Management Consulting Partnership (Limited Partnership) (北京新時代空間企業管理諮詢合夥企業(有限合夥)), a partnership established on April 20, 2018 under the laws of the PRC with limited liability and one of our Controlling Shareholders |

| | |
|---|---|
| "Beijing Xinghua Zhilian Investment" | Beijing Xinghua Zhilian Investment Fund (Limited Partnership) (北京星華智聯投資基金(有限合夥)), a partnership established on January 19, 2018 under the laws of the PRC with limited liability and our Pre-[**REDACTED**] Investor |
| "Beijing Xingrong Yuhang" | Beijing Xingrong Yuhang Enterprise Management Consulting Partnership (Limited Partnership) (北京星融宇航企業管理諮詢合夥企業(有限合夥)), a partnership established on April 23, 2018 under the laws of the PRC with limited liability and one of our Controlling Shareholders |
| "BIS" | the U.S. Department of Commerce's Bureau of Industry and Security |
| "Board" or "Board of Directors" | the board of directors of our Company |
| "business day" | any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business |
| "CAC" | Cyberspace Administration of China (國家互聯網信息辦公室) |

[**REDACTED**]

| | |
|---|---|
| "Ceyuan Innovation" | Chengdu Ceyuan Innovation Future Science and Technology City Equity Investment Fund Partnership (Limited Partnership) (成都策源創新未來科技城股權投資基金合夥企業(有限合夥)), a partnership established on June 14, 2023 under the laws of the PRC with limited liability and our Pre-[**REDACTED**] Investor |

| | |
|---|---|
| "Ceyuan Youchan" | Chengdu Hi-Tech Ceyuan Youchan Equity Investment Fund Partnership (Limited Partnership) (成都高新策源優產股權投資基金合夥企業(有限合夥)), a partnership established on August 4, 2022 under the laws of the PRC with limited liability and our Pre-[**REDACTED**] Investor |
| "Chengdu Electric Technology" | Chengdu Electric Technology Galaxy Venture Capital Center (Limited Partnership) (成都電科星河創業投資中心(有限合夥)), a partnership established on January 9, 2018 under the laws of the PRC with limited liability |
| "Chengdu Xingshidai" | Chengdu Xingshidai Yuhang Technology Co., Ltd. (成都星時代宇航科技有限公司), a company established on June 29, 2018 under the laws of the PRC with limited liability and a wholly owned subsidiary of our Company |
| "China" or the "PRC" | the People's Republic of China, which for the purpose of this document and for geographical reference only, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan |
| "Companies (Winding Up and Miscellaneous Provisions) Ordinance" | the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| "Companies Ordinance" | the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| "Company", "our Company" or "the Company" | Adaspace Technology Co., Ltd. (成都国星宇航科技股份有限公司), a limited liability company established in the PRC on May 3, 2018, which was converted into a joint stock limited company in the PRC on January 29, 2022 |
| "Compliance Advisor" | Guotai Junan Capital Limited |
| "Controlling Shareholder(s)" | has the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, refers to Dr. Lu, Beijing Xingrong Yuhang and Beijing New Era Space |

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| "Conversion of Unlisted Shares into H Shares" | the conversion of [**REDACTED**] Unlisted Shares (immediately following the Share Subdivision) in aggregate held by [32] existing Shareholders into H Shares upon completion of the [**REDACTED**]. Such conversion of Unlisted Shares into H Shares [has] been filed with the CSRC and the CSRC [has issued] the filing notices in respect of the [**REDACTED**] and the conversion dated [●], and an application for H Shares to be [**REDACTED**] on the Stock Exchange has been made to the Stock Exchange |
| "CSRC" | the China Securities Regulatory Commission (中國證券監督管理委員會) |
| "CTG" | Chengdu Technology Service Group Co., Ltd. (成都科技服務集團有限公司), a company established on July 24, 2012 under the laws of the PRC with limited liability and our Pre-[**REDACTED**] Investor |
| "Director(s)" | the director(s) of our Company |
| "Dongguan Investment" | Dongguan Yindao Investment Partnership (Limited Partnership) (東莞市引導投資合夥企業(有限合夥)), a partnership established on February 2, 2021 under the laws of the PRC with limited liability and our Pre-[**REDACTED**] Investor |
| "Dongtou Chantou" | Taizhou Dongtou Industrial Investment Group Co., Ltd. (台州東投產業投資集團有限公司), a company established on September 14, 2017 under the laws of the PRC with limited liability and our Pre-[**REDACTED**] Investor |
| "Dr. Lu" | Dr. Lu Chuan (陸川), our founder, chairman of the Board, executive director, and one of our Controlling Shareholders |
| "EAR" | Export Administration Regulations of the United States, administered by BIS to regulate the export of goods and technologies for national security and foreign policy purposes |
| "Entity List" | the list maintained by the U.S. Department of Commerce identifying foreign entities believed to be involved, or pose a significant risk of being or becoming involved, in activities contrary to the national security or foreign policy interests of the United States and which are prohibited from acquiring some or all items subject to the U.S. Export Administration Regulations |

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| "Extreme Conditions" | the occurrence of "extreme conditions" as announced by any government authority of Hong Kong due to serious disruption of public transport services, extensive flooding, major landslides, large-scale power outage or any other adverse conditions before Typhoon Signal No. 8 or above is replaced with Typhoon Signal No. 3 or below |
| "Feng Meiqian" | Feng Meiqian (馮美倩), our Pre-[**REDACTED**] Investor |

[**REDACTED**]

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| "Frost & Sullivan" | Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market research consultant and an Independent Third Party |
| "Galaxy Industry Group" | Shenzhen Galaxy Industry Investment Development Group Co., Ltd. (深圳市星河產業投資發展集團有限公司), a company established on August 18, 2015 under the laws of the PRC with limited liability and our Pre-[**REDACTED**] Investor |

[**REDACTED**]

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| "Group," "our Group," "the Group," "we," "us" or "our" | the Company and its subsidiaries |
| "Guanghan Xingshidai" | Guanghan Xingshidai Aerospace Technology Co., Ltd. (廣漢星時代宇航科技有限公司), a company established on August 5, 2019 under the laws of the PRC with limited liability and our non-wholly owned subsidiary |
| "Guang Xin Development" | Guanghan Guangxin Investment Development Co., Ltd. (廣漢市廣鑫投資發展有限公司), a company established on April 9, 2008 under the laws of the PRC with limited liability and our Pre-[**REDACTED**] Investor |

# DEFINITIONS

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| "Guangdong Jiahao Investment" | Guangdong Jiahao Investment Partnership (Limited Partnership) (廣東嘉昊投資合夥企業(有限合夥)), a partnership established on October 25, 2021 under the laws of the PRC with limited liability and our Pre-[**REDACTED**] Investor |
| "Guangdong Wanquan Investment" | Guangdong Wanquan Investment Development Co., Ltd. (廣東萬全投資發展有限責任公司), formerly known as Guangdong Vanke Investment Development Co., Ltd. (廣東萬科投資發展有限責任公司), a company established on May 27, 2017 under the laws of the PRC with limited liability and our Pre-[**REDACTED**] Investor |
| "Guide for New Listing Applicants" | the Guide for New Listing Applicants issued by the Hong Kong Stock Exchange, as amended, supplemented or otherwise modified from time to time |
| | [**REDACTED**] |
| "H Share(s)" | ordinary share(s) of a par value of RMB0.1 each of our Company, which is/are to be subscribed for and traded in Hong Kong dollars and to be [**REDACTED**] on the Stock Exchange |
| "Haijin Juying" | Qingdao Haijin Juying Investment Development Partnership (Limited Partnership) (青島海金聚贏投資發展合夥企業(有限合夥)), a partnership established on June 25, 2023 under the laws of the PRC with limited liability and our Pre-[**REDACTED**] Investor |
| "Haijin Xingyu" | Qingdao Haijin Xingyu Investment Development Partnership (Limited Partnership) (青島海金星宇投資發展合夥企業(有限合夥)), a partnership established on June 26, 2023 under the laws of the PRC with limited liability and our Pre-[**REDACTED**] Investor |
| "Haikou Zongbao Fund" | Haikou Zongbao Industry Development Investment Fund Partnership (Limited Partnership) (海口綜保產業發展投資基金合夥企業(有限合夥)), a partnership established on March 30, 2022 under the laws of the PRC with limited liability and our Pre-[**REDACTED**] Investor |

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| "Hengkun Development Fund" | Guangdong Hengkun Development Investment Fund Co., Ltd. (廣東恒坤發展投資基金有限公司), a company established on April 16, 2013 under the laws of the PRC with limited liability and our Pre-[**REDACTED**] Investor |
| "Hexing No. II Investment" | Shenzhen Hexing No. II Investment Partnership (Limited Partnership) (深圳市合興二號投資合夥企業(有限合夥)), a partnership established on June 27, 2018 under the laws of the PRC with limited liability and our Pre-[**REDACTED**] Investor |
| "HK$", "HKD" or "Hong Kong dollars" | Hong Kong dollars, the lawful currency of Hong Kong |
| "HKID" | Hong Kong identity card |

[**REDACTED**]

[**REDACTED**]

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| "Hong Kong" or "HK" | the Hong Kong Special Administrative Region of the PRC |
| "Hongtai Industrialization" | Tai'an Hongtai New Industrialization Equity Investment Partnership (Limited Partnership) (泰安市洪泰新型工業化股權投資合夥企業(有限合夥)), a partnership established on April 1, 2022 under the laws of the PRC with limited liability and our Pre-[**REDACTED**] Investor |
| "Hongtai Kuyu" | Tibet Hongtai Kuyu Equity Investment Partnership (Limited Partnership) (西藏洪泰酷娛股權投資合夥企業(有限合夥)), a partnership established on July 12, 2018 under the laws of the PRC with limited liability and our Pre-[**REDACTED**] Investor |
| "Hongyu No. I Enterprise" | Chengdu Hongyu No. I Enterprise Management Partnership (Limited Partnership) (成都弘宇一號企業管理合夥企業(有限合夥)), a partnership established on November 27, 2018 under the laws of the PRC with limited liability and our Pre-[**REDACTED**] Investor |
| "Huacang Yixing Investment" | Huacang Yixing (Quanzhou) Equity Investment Partnership (Limited Partnership) (華倉熠星(泉州)股權投資合夥企業(有限合夥)), a partnership established on February 7, 2021 under the laws of the PRC with limited liability and our Pre-[**REDACTED**] Investor |

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| "Huizhou Yilin Investment" | Huizhou Yilin Equity Investment Partnership (Limited Partnership) (惠州市益霖股權投資合夥企業(有限合夥)), a partnership established on July 9, 2019 under the laws of the PRC with limited liability and our Pre-[**REDACTED**] Investor |
| "Independent Third Party(ies)" | an individual(s) or a company(ies) who or which is/are not connected person(s) (within the meaning of the Listing Rules) of the Company |

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| "International Sanction Counsel" | "Hogan Lovells" |

[**REDACTED**]

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| "Jiaxing Tianhai Desheng" | Jiaxing Tianhai Desheng Venture Capital Partnership (Limited Partnership) (嘉興天海德勝創業投資合夥企業(有限合夥), formerly known as Guangzhou Tianhai Desheng Investment Partnership (Limited Partnership) (廣州天海德勝投資合夥企業(有限合夥)), a partnership established on January 27, 2021 under the laws of the PRC with limited liability and our Pre-[**REDACTED**] Investor |
| "Kangjian Agricultural" | Sichuan Kangjian Agricultural Development Co., Ltd. (四川康健農業開發有限公司), a company established on June 10, 2011 under the laws of the PRC with limited liability and our Pre-[**REDACTED**] Investor |
| "Latest Practicable Date" | [January 18, 2025], being the latest practicable date for ascertaining certain information in this document before its publication |
| "LEI" | Legal Entity Identifier |
| "Linzhi Zhengyuan" | Tibet Linzhi Zhengyuan Strategic Investment Co., Ltd. (西藏林芝正源策略投資有限公司), a company established on August 3, 2009 under the laws of the PRC with limited liability and our Pre-[**REDACTED**] Investor |
| "Listing Committee" | the Listing Committee of the Stock Exchange |

[**REDACTED**]

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| "Listing Rules" | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time |

[**REDACTED**]

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| "Main Board" | the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange |

[**REDACTED**]

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| "MIIT" | Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) |
| "MOF" | Ministry of Finance of the PRC (中華人民共和國財政部) |
| "MOFCOM" | Ministry of Commerce of the PRC (中華人民共和國商務部) |
| "MST" | Ministry of Science and Technology of the PRC (中華人民共和國科學技術部) |
| "NDRC" | National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) |
| "Negative List" | the Special Administrative Measure (Negative List) for the Access of Foreign Investment (2024 Version) issued by the NDRC and MOFCOM, which set out in a unified manner the restrictive measures for the access of foreign investments such as the requirements for equity and senior management, and the industries that are prohibited for foreign investment |
| "Neijiang High-Tech Investment" | Neijiang High-Tech Investment Service Co., Ltd. (內江高新科技投資服務有限責任公司), a company established on June 28, 2021 under the laws of the PRC with limited liability and our Pre-[**REDACTED**] Investor |
| "NIPA" | National Intellectual Property Administration of the PRC (中華人民共和國國家知識產權局) |
| "Nomination Committee" | the nomination committee of our Company, the details of which are described in "Corporate Information" in this document |
| "OFAC" | the U.S. Department of Treasury's Office of Foreign Assets Control |

[**REDACTED**]

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| "Ouzhuo Enterprise" | Ouzhuo Enterprise Management Consulting (Shanghai) Partnership (Limited Partnership) (歐卓企業管理諮詢(上海)合夥企業(有限合夥)), a partnership established on December 6, 2018 under the laws of the PRC with limited liability and our Pre-[**REDACTED**] Investor |

[**REDACTED**]

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| "PBOC" | the People's Bank of China |
| "Personal Data (Privacy) Ordinance" | the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| "PRC Legal Advisor" | Haiwen & Partners, the legal advisor to our Company as to PRC laws (including PRC data privacy and protection matters) |

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| "Pre-[**REDACTED**] Investment(s)" | the Pre-[**REDACTED**] investment(s) in our Company undertaken by the Pre-[**REDACTED**] Investor(s) prior to the [**REDACTED**], details of which are set out in the section headed "History, Development and Corporate Structure" in this document |
| "Pre-[**REDACTED**] Investor(s)" | the investor(s) who participated in our Pre-[**REDACTED**] Investments, details of which are set out in the section headed "History, Development and Corporate Structure" in this document |

[**REDACTED**]

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| "Qingchuang Bole Fengqing" | Qingchuang Bole Fengqing (Qingdao) Equity Investment Partnership (Limited Partnership) (青創伯樂風清(青島)股權投資合夥企業(有限合夥)), a partnership established on September 15, 2022 under the laws of the PRC with limited liability and our Pre-[**REDACTED**] Investor |
| "Qingchuang Bole Gongyu" | Qingdao Qingchuang Bole Gongyu Private Equity Fund Partnership (Limited Partnership) (青島青創伯樂攻玉私募基金合夥企業(有限合夥)), a partnership established on March 26, 2021 under the laws of the PRC with limited liability and our Pre-[**REDACTED**] Investor |
| "Qingda Honghe" | Xiamen Qingda Honghe No. IV Investment Partnership (Limited Partnership) (廈門清大紅禾四號投資合夥企業(有限合夥)), a partnership established on August 31, 2022 under the laws of the PRC with limited liability and our Pre-[**REDACTED**] Investor |

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| "Qingdao Juderong Financial" | Qingdao Juderong Financial Services Co., Ltd. (青島聚德融財務服務有限公司, formerly known as Qingdao Luhao Juderong Finance Co., Ltd. (青島魯昊聚德融財務有限公司)), a company established on March 15, 2019 under the laws of the PRC with limited liability and our Pre-[**REDACTED**] Investor |
| "Regulation S" | Regulation S under the U.S. Securities Act |
| "Relevant Persons" | the Company, together with its investors and shareholders and persons who might, directly or indirectly, be involved in permitting the [**REDACTED**], trading, clearing and settlement of its shares, including the Stock Exchange and related group companies, the Sole Sponsor and the [**REDACTED**] |
| "Remuneration Committee" | the remuneration committee of our Company, the details of which are described in "Corporate Information" in this document |
| "RMB" or "Renminbi" | Renminbi, the lawful currency of the PRC |
| "SAFE" | the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局) |
| "SAMR" | the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局), and formerly known as State Administration of Industry and Commerce of the PRC (中華人民共和國工商行政管理局) |
| "SDN" | individuals and entities that are listed on the SDN List |
| "SDN List" | the list of Specially Designated Nationals, and Blocked Persons maintained by OFAC, which sets forth individuals and entities that are subject to its sanctions and restricted from dealings with U.S. persons |
| "SFC" | the Securities and Futures Commission of Hong Kong |
| "SFO" | the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |

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| "Share Subdivision" | the sub-division of the Shares by the Company where the Company subdivided its Share from one Share of RMB1.0 each into ten Shares of RMB0.1 each, which shall become effective immediately prior to the [**REDACTED**] |
| "Share(s)" | (i) prior to the Share Subdivision, ordinary share(s) of a par value of RMB1.00 each of our Company; or (ii) after the Share Subdivision, ordinary share(s) of a par value of RMB0.1 each of our Company |
| "Shareholder(s)" | holder(s) of our Shares |
| "Shengren Investment" | Shenzhen Shengren Investment Consulting Service Co., Ltd. (深圳市聖仁投資諮詢服務有限公司), a company established on May 11, 2021 under the laws of the PRC with limited liability and our Pre-[**REDACTED**] Investor |
| "Shenzhen Capital Group" | Shenzhen Capital Group Co., Ltd. (深圳市創新投資集團有限公司), a company established on August 25, 1999 under the laws of the PRC with limited liability and our Pre-[**REDACTED**] Investor |
| "Shenzhen Guoxing Zhihui" | Shenzhen Guoxing Zhihui Technology Co., Ltd. (深圳市國星智慧科技有限公司), a company established on September 21, 2023 under the laws of the PRC with limited liability and a wholly owned subsidiary of our Company |
| "SME Development Fund" | SME Development Fund (Shenzhen Nanshan Limited Partnership) (中小企業發展基金(深圳南山有限合夥)), a partnership established on December 21, 2016 under the laws of the PRC with limited liability and our Pre-[**REDACTED**] Investor |

[**REDACTED**]

[**REDACTED**]

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| "Sole Sponsor" | the sole sponsor as named in "Directors, Supervisors and Parties Involved in the [**REDACTED**]" of this document |

[**REDACTED**]

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| "STA" | the State Taxation Administration of the PRC (中華人民共和國國家稅務總局) |

[**REDACTED**]

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| "State Council" | the State Council of the PRC (中華人民共和國國務院) |
| "Stock Exchange" or "Hong Kong Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "subsidiary(ies)" | has the meaning ascribed to it under the Companies Ordinance |
| "Supervisor(s)" | member(s) of our Supervisory Committee |
| "Supervisory Committee" | the supervisory committee of our Company |
| "Taizhou Jintou" | Taizhou Jintou Equity Investment Co., Ltd. (台州市金投股權投資有限公司), a company established on December 31, 2021 under the laws of the PRC with limited liability and our Pre-[**REDACTED**] Investor |
| "Taizhou SCOG" | Taizhou State-owned Capital Operation Group Co., Ltd. (台州市國有資本運營集團有限公司), a company established on January 23, 2008 under the laws of the PRC with limited liability and our Pre-[**REDACTED**] Investor |

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| "Takeovers Code" | the Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time |
| "Tongkun Langtai" | Chengdu Tongkun Langtai Enterprise Management Center (General Partnership) (成都通焜朗泰企業管理中心(普通合夥)), a partnership established on December 17, 2020 under the laws of the PRC with limited liability and our Pre-[**REDACTED**] Investor |
| "Track Record Period" | the period comprising the two years ended December 31, 2022 and 2023, and the nine months ended September 30, 2024 |
| "U.S. Securities Act" | United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder |

[**REDACTED**]

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| "Unlisted Share(s)" | (i) prior to the Share Subdivision, ordinary share(s) of a par value of RMB1.00 each of our Company; or (ii) after the Share Subdivision, ordinary share(s) of a par value of RMB0.1 each of our Company, which is/are not listed on any stock exchange |
| "United States", "U.S." or "US" | the United States of America, its territories, its possessions and all areas subject to its jurisdiction |
| "US$" or "USD" | United States dollars, the lawful currency of the United States |

[**REDACTED**]

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| "Wuxi Guoxing Fund" | Wuxi Liangxi Guoxing Investment Partnership (Limited Partnership) (無錫市梁溪國星投資合夥企業(有限合夥)), a partnership established on October 10, 2024 under the laws of the PRC with limited liability and our Pre-[**REDACTED**] Investor |
| "Wuxi Tianyanxing" | Wuxi Tianyexing Management Service Partnership (Limited Partnership) (無錫市天眼星管理服務合夥企業(有限合夥)), a partnership established on April 25, 2021 under the laws of the PRC with limited liability and our Pre-[**REDACTED**] Investor |
| "Xinjiang Communications Construction" | Xinjiang Communications Construction Group Co., Ltd. (新疆交通建設集團股份有限公司), a company established on January 27, 1999 under the laws of the PRC with limited liability and our Pre-[**REDACTED**] Investor |
| "Xinwu Fund" | Wuhu Xinwu Industrial Investment Fund Co., Ltd. (蕪湖市新蕪產業投資基金有限公司), a company established on June 21, 2021 under the laws of the PRC with limited liability and our Pre-[**REDACTED**] Investor |
| "Xiuhu Fund" | Jiaxing Xiuhu Venture Innovation Equity Investment Fund Co., Ltd. (嘉興市秀湖創業創新股權投資基金有限公司), a company established on May 11, 2016 under the laws of the PRC with limited liability and our Pre-[**REDACTED**] Investor |
| "Yinfeng Rongjin" | Yinfeng Rongjin (Beijing) Investment Management Co., Ltd. (銀豐融金(北京)投資管理有限公司), a company established on August 24, 2012 under the laws of the PRC with limited liability and our Pre-[**REDACTED**] Investor |
| "Zhejiang Zhongjing" | Zhejiang Zhongjing Drone Co., Ltd. (浙江中警無人機有限公司), a company established on November 10, 2021 under the laws of the PRC with limited liability and our Pre-[**REDACTED**] Investor |

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| "Zhenye Aerospace" | Shenzhen Zhenye Aerospace Investment Limited Partnership (Limited Partnership) (深圳振燁航天投資有限合夥企業(有限合夥)), a partnership established on November 24, 2015 under the laws of the PRC with limited liability and our Pre-[**REDACTED**] Investor |
| "%" | percent |

*In this document, the terms "associate", "close associate", "connected person", "core connected person", "connected transaction", "Exchange Participant" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.*

*Certain amounts and percentage figures included in this document have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.*

*For the ease of reference, the names of the PRC established companies or entities, laws or regulations have been included in this document in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail. The English translations of such Chinese names are provided for identification purposes only.*

# GLOSSARY OF TECHNICAL TERMS

*The following is a glossary of certain terms used in this document in connection with us and/or our business. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.*

"2D" two-dimensional

"3D" three-dimensional

"3D modeling" the process of creating a mathematical representation of a three-dimensional object or shape using specialized engine

"AI" artificial intelligence

"AI application satellites" a type of satellite by integrating AI payloads with AI algorithms into our satellite systems, offering AI-driven data analysis and computing services for its own operations, with enhanced remote sensing and data processing capabilities

"AI computing satellites" a type of satellite by integrating AI payloads with AI computing power, offering advanced AI-driven data analysis and computing services not only for themselves but also for other spacecraft and ground applications

"AI satellites" a newly developed and emerging category of satellites along with the rapid development of AI technology, include AI application satellites and AI computing satellites

"CAGR" compound annual growth rate

"CAN" controller area network

"CCD" charge coupled device

"cloud detection" detection of the clouds in remote sensing data to facilitate the subsequent analysis and interpretation of remote sensing data

"CIIO" critical information infrastructure operator

"computing power/ computing capability" the ability of a computer or computing system to process satellite remote sensing data and execute tasks

# GLOSSARY OF TECHNICAL TERMS

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|---|---|
| "digital twin " | a virtual representation of a physical object, system or process, created to simulate and analyse its real-world counterpart |
| "ECC verification" | error correction code verification, a process used to detect and correct errors in data transmission or storage, ensuring data integrity in satellite communications |
| "FPGA" | field-programmable gate array, a type of integrated circuit that can be configured by the customer or designer after production, used in satellites for flexible and efficient processing tasks |
| "GB" | gigabytes, a unit of information used to quantify computer memory or storage capacity |
| "Gbps" | gigabits per second, a measure of data transfer speed, used to indicate the capacity of satellite communication systems to transmit data |
| "Geosynchronous Orbit" | Earth-centered orbits with an altitude of approximately 35,786 km |
| "GFA" | gross floor area |
| "GPU" | graphics processing unit, a specialized processor designed to accelerate graphics rendering and parallel processing tasks, often used for image processing and data analysis in the context of satellites |
| "GTX" | gigabit transceiver |
| "IoT" | Internet of Things, referring to the collective network of connected devices and the technology that facilitates communication between devices and the cloud, as well as between the devices themselves |
| "ISO" | the International Organization for Standardization, an independent, non-governmental organization that develops and publishes international standards |
| "ISO 14001" | an internationally recognized standard for environmental management system published by ISO |

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| "ISO 5001" | an internationally recognized standard for energy management systems published by ISO |
| "ISO 9001" | an internationally recognized standard for quality management systems published by ISO |
| "IT" | information technology |
| "kg" | kilogram |
| "km" | kilometer |
| "LEO(s)" | low earth orbit, encompassing Earth-centered orbits with an altitude lower than 2,000 km |
| "Lingjing Engine" | an advanced ground-based infrastructure designed for cost-effective and efficient remote sensing data analysis and 3D modeling |
| "LVDS" | low-voltage differential signaling |
| "Mbps" | megabits per second, a measure of data transfer speed, used to indicate the rate at which satellite systems can transmit data |
| "Medium Earth Orbit" | Earth-centered orbits with an altitude greater than approximately 2,000 km and less than 35,786 km |
| "multi-mode redundancy" | a system design approach that incorporates multiple modes of operation to ensure continued functionality in the event of a failure, enhancing satellite reliability |
| "MPixel/s" | megapixels per second, a unit of measurement used to describe the rate at which an imaging device, such as a camera sensor, can process or capture image data |
| "NVME" | non-volatile memory express |
| "payload" | the specific instruments, equipment or subsystems designed to perform the satellite's intended functions or missions once it is in orbit |
| "PCIE" | peripheral component interconnect express |

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| "POPS" | peta operations per second, a measure of computing performance that indicates the ability of a system to perform one quadrillion (10^15) operations per second |
| "R&D" | research and development |
| "remote sensing" | the acquisition of information about an object or phenomenon without making physical contact with the object, in contrast to in situ or on-site observation |
| "RS422" | known as TIA/EIA-422, a technical standard originated by the Electronic Industries Alliance that specifies electrical characteristics of a digital signaling circuit |
| "satellite constellation" | a group of satellites working together in a coordinated manner to provide enhanced coverage and capabilities |
| "space radiation" | the ionising radiation present in space, which can affect satellite components and operations, necessitating protective measures |
| "space-edge computing technology" | a technology that facilitates sensing, computing and storage in the space environment by relying on platforms such as satellites and other spacecraft |
| "sq.m." | square meters |
| "super-resolution" | a task in computer vision that involves increasing the resolution of an image or video by generating missing high-frequency details from low-resolution input |
| "TLK2711" | a type of multigigabit transceivers, intended for use in ultrahigh-speed bidirectional point-to-point data transmission systems |
| "TOPS" | tera operations per second, a measure of computing performance representing the ability of a system to perform one trillion (10^12) operations per second |
| "UART" | universal asynchronous receiver/transmitter |
| "VR" | virtual reality |
| "W" | watt |

# FORWARD-LOOKING STATEMENTS

This document includes forward-looking statements. All statements other than statements of historical facts contained in this document, including, without limitation, those regarding our future financial position, our strategy, plans, objectives, goals, targets and future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue," or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among other things, the following:

- general political and economic conditions, including those related to the PRC;
- our ability to successfully implement our business plans and strategies;
- future developments, trends and conditions in the industry and markets in which we operate or into which we intend to expand;
- our business operations and prospects;
- our capital expenditure plans;
- the actions and developments of our competitors;
- our financial condition and performance;
- capital market developments;
- our dividend policy;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business and our business plans;
- various business opportunities that we may pursue; and

- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and Hong Kong and the industry and markets in which we operate.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed in "Risk Factors" and elsewhere in this document. We caution you not to place undue reliance on these forward-looking statements, which reflect our management's view only as of the date of this document. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this document might not occur. All forward-looking statements contained in this document are qualified by reference to the cautionary statements set out in this section.

*An investment in our Shares involves significant risks. You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an investment in our Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition and results of operations. In any such case, the market price of our Shares could decline, and you may lose all or part of your investment.*

*These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in the section headed "Forward-looking Statements" in this document.*

## RISKS RELATING TO OUR BUSINESS AND INDUSTRY

**As the satellite industry is rapidly evolving, it is difficult to forecast market demand for our products and solutions. If the market for satellites and satellite-based solutions does not continue to grow as expected, it could materially and adversely affect our business, financial condition and results of operations.**

The satellite industry in which we operate is rapidly evolving. Our future success depends upon our ability to accurately predict the future demand for our products and solutions, and continuously develop and innovate our offerings to address such changing demand. The industry's growth trajectory is influenced by a number of factors, including technological advancements, regulatory changes, market acceptance and the competitive landscape, all of which are inherently difficult to forecast. Any failure to predict the future market demand and develop offerings accordingly would render our products and solutions obsolete and compromise our competitive position in the market.

In addition, despite the current upward trend and the potential for widespread adoption, there is no guarantee that the satellite industry will expand in line with our expectations. If the market does not continue to grow as expected, our business, financial condition and results of operations could be adversely affected.

**If we are unable to compete effectively, our business, financial condition and results of operations may be materially and adversely affected.**

The industry in which we operate is increasingly competitive and there is no assurance that we will be able to maintain our competitive edge. We primarily compete with participants in the satellite industry, some of them may have greater financial resources, more advanced technological capabilities or broader customer bases, which could enable them to offer more competitive pricing, faster delivery timelines or superior product and solution performance.

Some competitors may also have access to more favorable strategic partnerships that could enhance their market position. To respond to heightened competition, we may be required to increase investments in R&D, marketing and sales. We cannot assure you that such measures will be effective and yield the expected results. Our products and solutions may be replicated by our competitors, requiring us to constantly update and improve the quality of our offerings to remain competitive. If we fail to do so, it will be difficult for us to differentiate ourselves from competitors and we may lose market share. Any failure to compete effectively could have a material and adverse impact on our business, financial condition and results of operations.

**Any change in launch schedules or failure of our launch service providers to successfully launch our satellites into space, our business, financial condition and prospects may be materially and adversely affected.**

The services and solutions that we offer through our satellites are contingent on their successful launch and operation. We partner with launch service providers for the launch of our satellites into space. However, our ability to timely deliver satellites may be affected by a number of factors, including changes in launch schedules, delays in obtaining required regulatory approvals and launch failures. Changes in launch schedules can result from satellite production delays, unavailability of reliable launch opportunities, delays in obtaining required regulatory approvals and launch failures. In addition, satellite launch in China is subject to extensive regulations and requires various regulatory approvals. See "Regulatory Overview — Regulations Related to the Commercial Space Industry." Timely acquisition of these approvals for satellite launch is crucial for the delivery of satellites. The process of obtaining satellite-related permits, licenses or permissions can be time-consuming and subject to rigorous scrutiny. Any delays or challenges in securing these approvals could extend our delivery timelines and affect our ability to recognize revenue.

Moreover, there is no assurance that all satellite launches will be successful. Any failure during the launch phase, whether due to technical malfunctions, weather conditions or other unforeseen issues, could disrupt our project timelines. Such events could impede our capability to deliver high-quality satellite services on schedule, resulting in increased costs and a negative impact on our customers' confidence. In addition, launch vehicles or satellite deployment mechanisms may fail, which could result in the destruction of any satellites we have in such launch vehicle or an inability for the satellites to perform their intended mission. Launch failures also result in significant delays in the deployment of satellites because of the need to produce replacement satellites, which typically takes months or longer, and to obtain another launch opportunity. Further, we cannot guarantee that the alternative satellite launch and deployment can be completed at the same cost. We have encountered launch failures with certain AI payloads in the past. The launch failure, underperformance, delay or increase in the cost of satellite launches or related services, could have a material adverse effect on our business, financial condition and results of operations.

**The satellite industry is subject to extensive regulations and government policies. Failure to obtain and maintain the required licenses and approvals for our satellite operations could adversely impact our business, financial condition and results of operations.**

The satellite industry is subject to an extensive regulations and governmental policies in a variety of aspects, such as the qualification requirements for production, launch and on-orbit operation of satellites. In particular, we are required to obtain and maintain a variety of licenses, approvals and certifications in the PRC to operate within the satellite industry and comply with local laws and regulations. Failure in this regard could result in significant costs, operational disruptions and potential legal liabilities. See "Regulatory Overview — Regulations Related to the Commercial Space Industry." As of the Latest Practicable Date, the necessary approval from the relevant national ministry was not obtained for five of the satellites for which we held radio frequency use permit and radio station license (the "Relevant Satellites") prior to their development, which may subject us to certain administrative penalties. We have reported such incident to the NDRC. See "Business — Legal Proceedings and Compliance — Compliance — Approval of the Relevant National Ministry for Satellites." While neither we nor our PRC subsidiaries were subject to any material administrative penalties for violations of laws or regulations in the field of development and reform during the Track Record Period and up to the Latest Practicable Date, we cannot guarantee that we will not receive any administrative penalties due to our failure to timely obtain the necessary approval from the relevant national ministry. Moreover, new laws, regulations and regulatory requirements may be introduced in the PRC from time to time, potentially increasing our compliance costs. As a result, we may need to obtain additional licenses, approvals or certifications in the future for our current or new business areas within the satellite industry. In the event of non-compliance, we could face penalties, suspension of relevant operations, which would disrupt our business and adversely affect our financial condition and results of operations.

**We relied on a limited number of customers during the Track Record Period. If we fail to expand our customer base, or if our customers decrease their purchases or delay inspection or acceptance of our products and solutions, our business, results of operations, financial condition and prospects may be materially and adversely affected.**

Our success depends on our ability to maintain strong customer relationships. Our ability to maintain strong customer relationships depends on a number of factors, including our ability to continuously offer competitive and comprehensive satellites and satellite-based solutions that address the needs of our customers at competitive prices, effective marketing and sales strategies and high-quality customer support. Any failure to execute these strategies successfully could impede our ability to expand our customer base. Additionally, revenue from our five largest customers in each year/period during the Track Record Period accounted for 73.9%, 56.1% and 92.7% of our total revenue in 2022, 2023 and the nine months ended September 30, 2024, respectively. Revenue from our largest customer in each year/period during the Track Record Period accounted for 49.2%, 21.5% and 73.0% of our total revenue in 2022, 2023 and the nine months ended September 30, 2024, respectively. See "Business — Our Customers." The changes in revenue from our major customers during the Track Record

Period were primarily driven by the continued development and expansion of our offerings, which resulted in changes in both our customer base and the volume of purchases. Moreover, due to the unique nature of the satellite industry, purchase and delivery cycles are typically lengthy and subject to various factors, such as the level of satellite customization, customers' technical requirements, the time needed to secure regulatory approvals and the availability of rocket launch windows, some of which are beyond our control. As a result, recurring purchases were relatively limited during the Track Record Period. We cannot guarantee that we will be able to expand our customer base or purchase volume in the future, the failure of which could lead to fluctuations in our revenue and adversely impact our financial condition and results of operations.

Our customers' purchasing decisions are influenced by various factors beyond our control, including their financial condition, operational demand, competitive pressures, geopolitical tensions and their ability to adapt to technological and regulatory changes. If existing customers reduce their purchases or if there is a shift in demand away from our products and solutions, our revenue could be adversely affected. In addition, the high standards required by our customers increase the need for us to maintain consistent quality and performance. If we are unable to meet customer expectations regarding the performance, delivery timelines or customization of our satellites and satellite-based solutions, we may face customer dissatisfaction, delayed payments or loss of business, which could further hinder our growth prospects and business sustainability. Our inability to meet customer expectations may also damage our reputation and could consequently limit our ability to retain existing customers and attract new customers.

**We relied on a limited number of suppliers during the Track Record Period.**

Our suppliers primarily comprise (i) providers for satellite-based solutions, such as software and hardware, (ii) satellite material providers for satellite production, such as laser communication payloads and Hall thrusters, and (iii) launch service providers. Purchases from our five largest suppliers in each year/period during the Track Record Period accounted for 29.9%, 60.5% and 69.6% of our total purchases in 2022, 2023 and the nine months ended September 30, 2024, respectively. Purchases from our largest supplier in each year/period during the Track Record Period accounted for 10.3%, 36.3% and 31.7% of our total purchases in 2022, 2023 and the nine months ended September 30, 2024, respectively. See "Business — Our Suppliers."

Accordingly, any disruption in the supply chain, whether due to financial instability of our suppliers, changes in market conditions or other unforeseen events, could adversely affect our ability to procure necessary materials in a timely and cost-effective manner. Furthermore, if any of our key suppliers cease to provide us with the required raw materials or services, we may face difficulties in sourcing alternative suppliers on similar terms, which could materially and adversely affect our business, financial condition and results of operations.

**Any failure of our satellites to operate as intended may impact our ability to provide satellite-based solutions.**

Our satellites employ advanced technologies that are exposed to severe environmental stresses during launch and in space that could affect our satellites' performance, and we cannot guarantee that our satellites will continue to operate successfully in space throughout their expected operational lives. Unexpected issue with hardware component or software in space could lead to deterioration in performance or loss of functionality of a satellite. Human operators may also issue incorrect or improper commands that may negatively impact a satellite's performance. Furthermore, exposure of our satellites to an unanticipated catastrophic event, such as a meteor shower, geomagnetic solar storms, collision with space debris, intentional or unintentional kinetic, radiation or blinding interference could reduce their performance or completely destroy them. The actual operational lifespan of our satellites may be shorter than expected, necessitating a reduction in their available capacity before the end of their intended operational lives. Historically, we have encountered situations where the satellites lost contact or became de-orbited. If the satellite is not fully operational, our satellite-based solutions that rely on the satellite would be affected. We may lose part or all of the revenue that otherwise would have been derived from that satellite. Furthermore, if any of the abovementioned issues happen to satellites sold to our customers, the customers' business operations that rely on these satellites may be affected, which could give rise to claim against us, damage our reputation, cause a loss of customer confidence and result in loss of future business opportunities.

**We have been and intend to continue investing in R&D, which may not generate the results as expected and therefore may adversely affect our short-term cash flow, liquidity and profitability.**

The industry in which we operate is characterized by constant changes, including rapid advancements in satellite technology. Our success is contingent upon our ability to adapt to these changes in a timely and cost-effective manner. To enhance technological capabilities and maintain our products and solutions competitive in the market, we have been investing heavily in our R&D activities, with a primarily focus on AI satellite technologies. In 2022, 2023 and the nine months ended September 30, 2023 and 2024, our research and development expenses were RMB45.8 million, RMB53.5 million, RMB30.8 million and RMB104.9 million, respectively, representing 25.8%, 10.5%, 29.1% and 44.2% of total revenue in the same respective period. While we believe these investments are crucial for our long-term growth and competitiveness, there is no assurance that our R&D efforts will yield the anticipated results or lead to commercially viable products and solutions or improvements. The failure of our R&D initiatives to meet expectations could result in significant expenses without corresponding revenue generation, which could adversely affect our short-term cash flow, liquidity and profitability.

**We have a limited operating history, which makes it difficult to evaluate our business and future prospects.**

We commenced business operation in 2018. Our total revenue significantly increased from RMB177.4 million in 2022 to RMB507.5 million in 2023. Our total revenue increased significantly from RMB105.9 million in the nine months ended September 30, 2023 to RMB237.3 million in the nine months ended September 30, 2024. However, our historical growth may not be indicative of our future performance, and we cannot guarantee that this level of significant growth will be sustainable in the future. Our growth prospects should be considered in light of the risks and uncertainties that we may encounter as a fast-growing company with a limited operating history, including risks and uncertainties regarding our ability to:

- upgrade our technologies and develop new technologies;
- retain existing customers and attract new customers to use our products and solutions;
- further commercialize our products and solutions;
- increase brand awareness through marketing and promotional activities;
- successfully compete with other companies that are currently in, or may in the future enter, the satellite industry;
- attract, retain and motivate talented employees, including R&D talents as well as staff with in-depth industry know-how;
- adapt to evolving regulatory environment; and
- defend ourselves against litigation, regulatory, intellectual property, privacy, data protection or other claims.

All of these endeavors involve risks and will require significant capital expenditures and allocation of valuable management and employee resources. We cannot guarantee that we will be able to effectively manage our growth or implement our business strategies effectively. If the market for our solutions does not develop as we expect or if we fail to address the needs of this dynamic market, our business, financial condition and results of operations may be materially and adversely affected.

**We recorded net losses and had net operating cash outflows during the Track Record Period.**

We had a net loss of RMB90.9 million, RMB139.3 million, RMB111.3 million and RMB213.7 million in 2022, 2023 and the nine months ended September 30, 2023 and 2024, respectively. The net loss during Track Record Period was primarily attributable to (i) our increasing operating expenses, particularly general and administrative expenses and research and development expenses, including sharebased payments, and (ii) net impairment losses on financial assets. See "Financial Information" and "Business — Sustainability." While we experienced significant revenue growth in the Track Record Period, there can be no assurance we can achieve or sustain profitability in the future. As we are still in the early stages of technological development, we intend to continue to invest significant resources to further develop our AI satellite technologies, launch additional satellites, expand our AI computing capabilities, enhance our AI algorithms increase our sales force to enter into new markets and expand the application scenarios of our satellite-based solutions. As a result, we anticipate incurring considerable operating costs and expenses in the foreseeable future, which may adversely affect our overall financial position. We may also face increased compliance costs associated with growth. Our efforts to grow our business may be costlier than we expect, or the rate of our revenue growth may be lower than we expect, and we may not be able to increase our revenue enough to offset our increased operating expenses.

In addition, we had net cash used in operating activities of RMB113.8 million, RMB313.5 million, RMB200.3 million and RMB165.8 million in 2022, 2023 and the nine months ended September 30, 2023 and 2024, respectively. See "Financial Information — Liquidity and Capital Resources — Cash Flow." We cannot assure you that we will be able to generate positive cash flows from operating activities in the future. Our future liquidity primarily depends on our ability to maintain adequate cash inflows from our operating activities and adequate external financing such as offering and issuing securities, and/or other sources such as external debt, which may not be available on terms favorable or commercially reasonable to us or at all. Thus, our business, financial condition and results of operations may be adversely affected.

**We may be subject to the risks associated with international trade policies, geopolitics and trade protection measures, including imposition of trade restrictions and sanctions.**

Our operations are influenced by the political and economic relations between countries, as well as sanctions and export controls imposed by the governments in the jurisdictions where we operate. Geopolitical challenges, such as economic or labor conditions, increased duties, taxes, political instability and trade barriers, could negatively impact the sales and profitability of our products and solutions. In particular, U.S. sanctions targeting China-based technology companies, including economic restrictions, may directly or indirectly affect our business.

The U.S. Treasury Department's OFAC administers primary U.S. sanctions programs against targeted countries, entities and individuals, which prohibits U.S. companies or U.S. persons from engaging in any transaction with or providing any goods or services for the benefit of the targeted country, entity or individual. In addition, the U.S. has heightened export control restrictions on China through the Export Administration Regulations ("EAR") in recent years, administered by the Bureau of Industry and Security. These controls include the Entity List, which designates foreign entities subject to trade restrictions. If any of our customers or suppliers are listed on the Entity List, we may face limitations in sourcing or selling technologies or products to/from them, and regulatory permits required for these transactions may be difficult to obtain or maintain. Additionally, the U.S. government could expand the scope of EAR controls, further restricting the flow of products or services related to our business, or impose additional sanctions that could affect our supply chain.

During the Track Record Period, we entered into certain transactions with certain entities on the SDN List and the Entity List (together, the "Relevant Entities"), which may subject our Company, together with our investors and shareholders and persons who might, directly or indirectly, be involved in permitting the [**REDACTED**], trading, clearing and settlement of our shares (together, as the "Relevant Persons") to the risks of U.S. secondary sanctions. See "Business — Sanctions Exposure." As advised by our International Sanctions Counsel, on the grounds referenced in the aforementioned section, our business dealings with the Relevant Entities do not appear to violate or implicate any breaches of the applicable U.S. sanctions and U.S. export control, and the risk for us or the Relevant Persons to face exposure to secondary U.S. sanctions is low. However, as such programs and restrictions are likely subject to frequent changes, and their interpretation and enforcement involves substantial uncertainties, which may be heightened by national security concerns or driven by political and/or other factors that are beyond our control. Therefore, such restrictions, and similar or more expansive restrictions that may be imposed by the U.S. or other jurisdictions in the future, may be difficult or costly to comply with and may materially and adversely affect our and our technology partners' abilities to acquire technologies, systems, devices or components that may be critical to our technology infrastructure, service offerings and business operations. If any of us, or our Shareholders, Directors, management personnel, employees and business partners, violate such laws, we could become subject to sanctions or other penalties, which could adversely affect our reputation, business, financial condition and results of operations.

In addition, increased compliance costs and operational challenges arising from adhering to complex export control regulations and sanctions could strain our resources. As the SDN List and other sanctions and export control laws and regulations, including the EAR's De Minimis Rule and the Foreign Direct Product Rules, continue to evolve, future sanctions and export controls may impact our business relationships with some of our suppliers or customers. If we fail to promptly secure alternative customers or sources of supply on acceptable terms, our business may be materially and adversely affected. In addition, dealing with customers or suppliers that are subject to export control or sanctions may pose significant risks to our business. These risks include potential disruptions in our supply chain, legal and regulatory compliance challenges, and the possibility of financial penalties. We have no control over the countries, regions or destinations to which the customers will sell and/or export their end solutions. If the export sales of the customers' end solutions are restricted, prohibited or made subject to any export controls or economic sanctions imposed by any jurisdictions, the customers' demand in our solutions may decline, and, as a result, our business, financial condition and results of operations may be materially and adversely affected.

**Policies on foreign investment in the PRC may adversely affect our business and results of operations.**

The investment activities of foreign investors in the PRC are subject to certain regulations regarding the industry participated and imposed additional verification procedures by certain authorities. The Special Administrative Measure (Negative List) for the Access of Foreign Investment (2024 Version) issued by the NDRC and MOFCOM (the "Negative List"), which set out in a unified manner the restrictive measures for the access of foreign investments such as the requirements for equity and senior management, and the industries that are prohibited for foreign investment. The Negative List covers 11 industries, and those not included in the "prohibited category" in the Negative List shall be administered under the principle of equal treatment to domestic and foreign investment. See "Regulatory Overview — Regulations in Relation to Foreign Investment." As of the Latest Practicable Date, certain of our product application scenarios fell within the "prohibited category" in the Negative List, including (i) 3D reality mapping (the "Relevant Application Scenario"); and (ii) other surveying and mapping and geology-related services (the "Other Relevant Application Scenarios"). As advised by our PRC Legal Advisor, foreign investors are prohibited from holding any equity interest in any entity engaged in such prohibited businesses. As of the Latest Practicable Date, all our existing Shareholders were domestic, and none of them were foreign investors. In light of the [**REDACTED**] and the [**REDACTED**], to comply with the Negative List, we have undertaken to adjust our business arrangement ("Business Arrangement Adjustment") concerning the Relevant Application Scenario and the Other Relevant Application Scenarios before the [**REDACTED**]. For the Relevant Application Scenario, we have entered into framework agreements with qualified third parties, pursuant to which we will procure 3D reality maps generated by the relevant qualified third parties based on 2D satellite remote sensing data provided by us. We will authorize such qualified third parties to use our technologies or intellectual properties when they perform their obligations under such contracts in the future. Further, we have undertaken to cease all business prohibited (including our Other Relevant Application Scenarios) under the Negative List and other applicable laws and regulations relating to foreign investment prior to [**REDACTED**] and will continue to comply with applicable laws and regulations in relation to foreign investment ("Undertaking"). As advised by our PRC Legal Advisor, based on the Business Arrangement Adjustment and Undertaking, we do not and will not violate any applicable laws and regulations relating to foreign investment. Our future capability to enter certain industries may be restricted if such industries fall within the "prohibited category" in the Negative List. Also, as the Negative List could be updated in the future, there can be no assurance that the PRC government will not change its policies in a manner that would render part of our business in China falling within the Negative List. If we cannot obtain approval from relevant approval authorities to engage in a business in China that becomes prohibited or restricted for foreign investors, we may be forced to sell or restructure our business which has become restricted or prohibited for foreign investment. If we are forced to adjust our corporate structure or business line as a result of changes in government policy on foreign investment, our business, financial condition and results of operations may be adversely affected.

**We are subject to credit risk related to delays in payment and defaults of customers.**

We are exposed to credit risk related to delays in payment and defaults of our customers. We cannot guarantee that all our customers will settle payment in full as it falls due. If any of our customers becomes insolvent or delays its payment of our fees, our cash flow, financial position and results of operations could be materially and adversely affected. As of December 31, 2022 and 2023 and September 30, 2024, our trade and note receivables were RMB128.7 million, RMB500.9 million and RMB500.2 million, respectively, and we had provision for loss allowance of receivable of RMB6.5 million, RMB23.1 million and RMB28.0 million, respectively. While we have adopted credit control measures to improve the trade receivables situation, we may not be able to collect all such trade receivables due to a variety of factors that are outside of our control, including the adverse operating conditions or financial situation of customers and customers' inability to pay. See "Financial Information — Discussion of Selected Items from the Consolidated Statements of Financial Position — Trade Receivables." In particular, any financial difficulties experienced by our customers may result in a reduction in their engagement with our products and solutions and expose us to higher credit risks, which could in turn materially and adversely affect our financial condition.

**We may not be successful in implementing our business plans and strategies effectively, which could materially and adversely affect our business, financial condition and results of operations.**

We have devised business strategies to sustain future growth. See "Business — Our Strategies." Our business plans and strategies are based on our assumptions of future events which may entail certain risks and are inherently subject to uncertainties. These assumptions may not be correct, which could affect the commercial viability of our business plans and strategies. As such, we cannot guarantee that our business plans and strategies will be implemented successfully as scheduled or at all.

If we fail to implement our business plans and strategies effectively and cost-effectively, we may be unable to expand our operations, manage our growth, take advantage of market opportunities as expected or remain competitive in the industry. Furthermore, there may be other unexpected events or factors beyond our control that may prevent us from achieving the desirable and profitable results, such as the changes in local laws and regulations and governmental policies, the availability of skilled professionals and changes in consumer demand. Moreover, our business plans and strategies may increase our operating costs, such as higher staff costs, as well as greater depreciation for production equipment and facilities, and increase our cash outflows for operating and investing activities. Accordingly, if our business plans and strategies cannot be successfully implemented, or if they do not yield ideal results, we may have significant difficulties in recovering our costs and expenses and therefore experience a material adverse impact on our business, financial condition and results of operations.

**Our satellite R&D, production and testing facilities are susceptible to interruption, damage or loss caused by power outages or other events beyond our control.**

We depend on our satellite production and testing facilities to ensure timely delivery of satellites. We have established sophisticated facilities to support our satellite production capabilities, including our Chengdu AIT center and Jiaxing satellite testing base. See "Business — Integrated Satellite R&D and Production Model." Accordingly, any interruptions, damage or loss to our production facilities and equipment caused by fire, severe weather, earthquakes or other acts of God or other events which are beyond our control could harm our business and results of operations. In addition, our production processes require a stable source of electricity. The local electricity supply may not be reliable or stable for consumption at all times. We cannot guarantee that we will not experience blackouts or a shortage of electricity in the future. If we do not have adequate electricity to sustain normal production, we may need to limit, delay or halt our production, and any production downtime or stoppage can have a significant negative effect on our reputation and general business operations and, in the case of insufficient insurance coverage, may also have material adverse effects on our business, financial condition and results of operations.

**We may experience a failure of satellite operation and control management centers, interference with our satellite signals or geomagnetic solar storms that impair the performance of our satellites, which could harm our business, prospects, financial condition and results of operations.**

We operate critical ground infrastructure, including satellite operation and control management centers, which are responsible for controlling our satellites and downloading imagery for distribution to our customers. These centers may be subject to potential disruptions from natural disasters, fires, acts of war, terrorism or other catastrophic events, which could result in a partial or complete loss of service. Additionally, technical failures or operator errors at these facilities may compromise tracking, telemetry and control operations, potentially leading to the inability to communicate with or control one or more satellites. Such failures could result in incorrect instructions being transmitted, causing temporary or permanent degradation of satellite performance or even the loss of one or more satellites.

Moreover, electromagnetic or radio frequency interference, whether intentional or accidental, could disrupt our satellite communication capabilities and hinder our ability to deliver services. Any disruption in the functionality of our facilities, the communication links between them, or our satellite signals could have a material adverse effect on our revenue, our ability to effectively market services, and the overall performance of our business, including its financial condition and prospects.

**Any failure to offer high-quality customer services for our customers may harm our relationships with them and, consequently, our business, financial condition and results of operations.**

As we continue to grow our operations and support our customer base, we need to be able to continue to provide efficient support and effective maintenance that meets our customer demands at scale. We may not be able to recruit or retain sufficient qualified personnel with experience in supporting customers of our products and solutions. As a result, we may be unable to quickly respond to accommodate short-term increases in customer demand for technical support or maintenance assistance. We may also be unable to modify the future scope of our maintenance services and technical support to compete with changes in the technical services provided by our competitors. If we experience increased customer demand for support and maintenance, we may face increased costs that might harm our results of operations. If we are unable to provide efficient customer maintenance and support, our business may be harmed. Our ability to attract new customers is dependent on our business reputation and on positive recommendations from our existing customers. Any failure to maintain high-quality maintenance and support services, or a market perception that we do not maintain high-quality maintenance and support services for our customers, would harm our business.

If we experience any deterioration in the quality of our products and solutions, we will incur higher costs associated with warranties. We may also be required by law to adopt new or amend existing warranty policies from time to time. While these policies improve customer experience and promote customer loyalty, which may in turn help us acquire and retain customers, they also subject us to additional costs and expenses which we may not recoup through increased revenue. We cannot guarantee that our warranty policy will not be misused by our customers, which may significantly increase our costs and may materially and adversely affect our business, financial condition and prospects. If we revise these policies to reduce our costs and expenses, our customers may be dissatisfied, which may result in the loss of existing customers or failure to acquire new users at the pace desired, which may materially and adversely affect our business, financial condition and results of operations.

**Any flaws or misuse of AI technologies, whether actual or perceived, intended or inadvertent, committed by us or by other third parties, could harm our reputation and materially and adversely impact our business, financial condition and prospects.**

As we empower our satellites and satellite-based solutions with AI technologies and aim to construct a space computing network with AI computing satellites, we face certain risks related to AI technologies, which are still in the early stages of development and will continue to progress. For example, potential flaws or deficiencies in AI technologies could compromise the accuracy and comprehensiveness of our satellite-based solutions. We cannot guarantee that we will be able to identify and rectify such flaws or deficiencies promptly, or at all. In addition, AI technologies carry risks and challenges that could influence customer perceptions and public opinion towards AI technologies. Any inappropriate, abusive or premature use of AI technologies, whether actual or perceived, intended or inadvertent, and by us or third parties, may dissuade prospective customers from adopting AI satellites or such satellite-based solutions, impair societal acceptance of AI solutions, attract negative publicity and consequently damage our reputation. Any such failure could lead to damages to our reputation or even violation of laws and regulations in jurisdictions where we operate, exposing us to increased regulatory scrutiny or activist pressures. Any of the aforementioned failures could materially and adversely impact our business, financial condition and prospects.

**Failure to effectively promote our brand, satellite and satellite-based solutions may materially and adversely affect our business, financial condition and results of operations.**

Our business and financial performance depend on the strength and the market acceptance of our brands as well as our satellite and satellite-based solutions. Therefore, our ability to effectively market our brand, satellite and satellite-based solutions, and to convincingly demonstrate their value and reliability to potential customers, is crucial to our continued success. In 2022, 2023 and the nine months ended September 30, 2023 and 2024, our selling and marketing expenses were RMB35.4 million, RMB42.0 million, RMB30.4 million and RMB20.1 million, representing 19.9%, 8.3%, 28.7% and 8.5% of our revenue in the respective periods. However, we cannot guarantee that these activities will be successful or that we will be able to achieve the promotional effect as expected. In addition, if we incur excessive expenses while marketing our brand, products and solutions, our financial condition will be materially and adversely affected.

Moreover, market acceptance and demand are not static. Even if our promotional activities are initially successful, changes in market preferences, the advent of superior or more cost-effective alternatives, or a general decline in demand for satellite-based solutions could negatively impact our business. Any failure to adapt to these changes or maintain a strong market position could result in a material and adverse effect on our business, financial condition and prospects. Our future growth and profitability hinge on our ability to anticipate and navigate these challenges effectively.

**The termination of any strategic collaboration with our business partners may adversely affect our business, financial condition and results of operations.**

We engage in strategic R&D collaborations for sustainable technology innovations with academic institutes and other commercial aerospace companies, empowering us to gain deep insights into industry trends and keep up with the latest technologies. See "Business — Our Strategies — Strengthening Strategic Cooperation, Supply Chain Integration and Business Synergy." We cannot guarantee that our business partners will continue to collaborate with us on commercially reasonable terms or at all. We also cannot guarantee that we will be able to establish new business partner relationships or extend existing relationships with our business partners when our agreements with them expire. Furthermore, certain of our agreements with our business partners may be terminated at will prior to their specified termination dates. Our business partners may alter the contract terms previously agreed between us. If we are unable to maintain our relationships with our key business partners, or any of our collaboration with our key business partners are terminated, our business, financial condition and results of operations could be adversely affected.

**Our success relies on key management and other highly qualified personnel with specialized skills.**

Our success significantly depends on the continuing efforts of our management and other key personnel, many of whom possess unique skills that would be challenging to replace. We particularly depend on the expertise, experience and vision of our founder, as well as other key members of our management team. If any of these individuals become unable or unwilling to continue their services, we may be unable to find suitable replacements. Moreover, our future success is contingent on our capacity to attract, recruit and train a substantial number of qualified employees, as well as retain our existing key personnel. We particularly depend on our R&D team to create advanced satellite technologies, AI algorithms and outperforming solutions, and our sales personnel to maintain relationships with our customers. In addition, we may need to offer competitive compensation packages, superior training, attractive career opportunities and other benefits for our key personnel, which could prove costly and burdensome.

We cannot guarantee that we will be successful in attracting or retaining the qualified workforce necessary to support our future growth. Furthermore, any disputes between us and our employees, or any labor-related regulatory or legal proceedings, could divert management and financial resources, negatively affect staff morale, reduce our productivity, and damage our reputation and future recruitment efforts. In addition, our capacity to train and integrate new employees into our operations may not keep pace with the demands of our expanding business. Any of these workforce-related issues could materially and adversely affect our business, financial condition and prospects.

**We acquired a small portion of the satellite data we use from third-party providers. Any delay or interruption in the supply of third-party satellite data may impact our ability to provide satellite-based solutions.**

During the Track Record Period, we acquired a small portion of the satellite remote sensing data we use from third-party data providers. However, we cannot guarantee that third-party data providers will consistently provide stable and reliable satellite data. Any delays or interruptions in receiving satellite data, whether due to satellite malfunctions or third-party non-compliance, could impact our ability to deliver efficient satellite-based solutions to our customers. Failure to obtain this data promptly and on reasonable terms, or at all, may adversely affect our business, financial condition and results of operations.

**We may experience discontinuation, reduction or delay of any preferential tax treatments or government grants.**

During the Track Record Period, our Company and certain subsidiaries of the Group in the PRC were qualified as "High and New Technology Enterprises" under the relevant PRC laws and regulations, which were subject to a preferential income tax rate of 15%, and certain subsidiaries of the Group in the PRC were qualified as "small low-profit enterprises" under the Enterprise Income Tax Law of the PRC, which enjoyed a preferential income tax rate of 20%.

Such preferential tax treatments are subject to change and termination. If our preferential tax treatments are revoked, become unavailable or if the calculation of our tax liability is successfully challenged by the PRC tax authorities, the discontinuation of any of the various types of preferential tax treatment we enjoy could materially and adversely affect our prospects. See "Financial Information — Description of Major Components of our Results of Operations — Income Tax."

We also receive grants from local governments, which are discretionary and vary from year to year. In 2022, 2023 and the nine months ended September 30, 2023 and 2024, the government grants we received were RMB12.8 million, RMB27.9 million, RMB18.1 million and RMB2.5 million, respectively. Local governments may decide to reduce or eliminate such grants at any time. We cannot guarantee the continued availability of the government grants currently enjoyed by us. Any reduction, cancelation, or repayment of government grants could adversely affect our business, financial condition and prospects.

**We have awarded and may continue to award equity instruments under equity incentive plans, which may cause shareholding dilution to our Shareholders and result in increased share-based payments for employees.**

In 2022, 2023 and the nine months ended September 30, 2023 and 2024, we had share-based payments for employees of RMB23.6 million, RMB48.6 million, RMB34.8 million and RMB70.3 million, respectively. To further incentivize our employees, we may adopt other equity incentive plans and award additional equity incentives. Issuance of Shares with respect to our equity incentive plan may dilute the shareholding of our existing Shareholders and incur substantial share-based payment expenses that could materially and adversely affect our financial performance.

**We are exposed to risks associated with the fair value change in financial assets at fair value through profit or loss and valuation uncertainty regarding the use of unobservable inputs.**

Our financial assets at fair value through profit or loss represent our structured deposits. As of December 31, 2022 and 2023 and September 30, 2024, we recorded financial assets at fair value through profit or loss of RMB262.2 million, RMB191.4 million and nil, respectively. See "Financial Information — Description of Major Components of Our Results of Operations — Net Impairment Losses on Financial Assets" and "Financial Information — Discussion of Selected Items from the Consolidated Statements of Financial Position — Financial Assets at Fair Value through Profit or Loss."

Our fair value of our financial assets at FVPL is estimated by using valuation techniques and on the basis of unobservable inputs. The use of unobservable inputs renders valuation uncertain, as changes of unobservable inputs such as expected rate of return may change the fair value of the financial asset. The fluctuation of our financial assets at FVPL may continue to affect our results of operations in the future. We cannot assure you that market conditions and regulatory environment will create fair value gains on the financial asset or we will not incur any fair value losses on our financial asset at FVPL in the future. If we incur such fair value losses, our results of operations, financial condition and prospects may be adversely affected. For fair value measurements of financial instruments, see Note 3.3 to the Accountant's Report in Appendix I to this document.

**Our property valuation is based on certain assumptions which, by their nature, are subjective and uncertain and may materially differ from actual results.**

Valuations of our selected property interest as of November 30, 2024 prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, are set forth in the valuation report set out as Appendix III to this document. The valuations are made based on assumptions which, by their nature, are subjective and uncertain and may differ from actual results. In addition, unforeseeable changes in general and local economic conditions or other factors beyond our control may affect the value of our properties. As a result, the valuation of our properties may differ materially from the price we could receive in an actual sale of the properties in the market and should not be taken as their actual realizable value or an estimation of their realizable value.

**We may not be able to protect our intellectual property rights, and our ability to compete could be harmed if our intellectual property rights are infringed by third parties.**

There can be no assurance that we can prevent third parties from infringing upon our intellectual property rights. Unauthorized use of our intellectual properties, unfair competition, defamation or other violations of our rights by our employees and/or third parties may harm our brand and reputation, and the expenses incurred in protecting our intellectual property rights may materially and adversely affect our business. We may, from time to time, be required to institute litigation, arbitration or other proceedings to enforce our intellectual property rights, which may be time-consuming and expensive to resolve and could divert our management's attention regardless of the outcome, and adversely affect our business, financial condition and results of operations.

It can be difficult to register, maintain and enforce intellectual property rights in the jurisdictions where we operate. Laws and regulations are subject to judicial interpretation and enforcement and may not be applied consistently. Preventing any unauthorized use of our intellectual properties is difficult and costly and the steps we take may be inadequate to prevent the misappropriation of our intellectual properties. Any failure in protecting or enforcing our intellectual property rights may have a material and adverse effect on our business, financial condition and results of operations.

**We may infringe intellectual property rights of third parties, which can lead to time-consuming and costly intellectual property infringement claims.**

We may, from time to time, be subject to legal proceedings and claims relating to the intellectual property rights of third parties. In addition, there may be third-party trademarks, patents, copyrights, know-how or other intellectual property rights that are infringed upon by our products, solutions, services or other aspects of our business without our knowledge. Holders of such intellectual property rights may seek to enforce such intellectual property rights against us in the PRC or other jurisdictions. If any third-party infringement claims are brought against us, we may be forced to divert our management's attention and other resources from our business and operations to defend these claims, regardless of their merits.

Additionally, the application and interpretation of the PRC laws relating to intellectual properties, and the procedures and the standards for granting trademarks, patents, copyrights, know-how or other intellectual property rights in the PRC are still evolving, and there can be no assurance that the PRC courts or regulatory authorities would agree with our analysis. If we were found to have violated the intellectual property rights of any third party, we may be subject to liability for our infringing activities or may be prohibited from using such intellectual properties, and we may incur licensing fees or be forced to develop alternatives of our own. In such events, our business, financial condition and results of operations may be materially and adversely affected.

**We may be unable to protect the confidentiality of our trade secrets, and we may be subject to claims that our employees or third parties have wrongfully used or disclosed alleged trade secrets owned by others.**

In addition to our issued patent and pending patent applications, we rely on trade secrets, including unpatented know-how, technology and other proprietary information, to protect our products and solutions and thus maintain our competitive position. We protect these trade secrets, in part, by entering into non-disclosure and confidentiality agreements, non-compete covenants or include such undertakings in the agreements with parties that have access to them. Nevertheless, there can be no guarantee that an employee or a third party will not make an unauthorized use or disclosure of our proprietary confidential information. This might happen intentionally or inadvertently. It is possible that a competitor will gain access to such information and make use of such information, and that our competitive position will be compromised, in spite of any legal action we might take against persons making such unauthorized disclosures. Enforcing a claim that a third party illegally obtained and is using any of our trade secrets is expensive and time-consuming, and the outcome is unpredictable. In addition, to the extent that our employees or business partners use intellectual property owned by others in their work for us, disputes may arise as to the rights in related or resulting know-how and inventions.

**Failure to comply with PRC property-related laws and regulations regarding certain of our leased properties and to renew our leases could adversely affect our business.**

As of the Latest Practicable Date, some of our operations rely on leased properties and we had not registered some lease agreements of our leased properties with the relevant real estate administration bureaus in accordance with applicable laws and regulations in China. See "Business — Properties." As advised by our PRC Legal Advisor, the non-registration does not affect the validity and enforceability of the lease agreements, but we may be subject to fines from RMB1,000 to RMB10,000 for each such lease agreement for failure to register.

In addition, we may not be able to successfully extend or renew our leases upon their expiration at commercially reasonable terms, or at all. Consequently, we may have to relocate our operations, which could disrupt our business activities and lead to relocation costs, negatively impacting our business, financial condition and results of operations. Furthermore, if a lease agreement is renewed at a rent substantially higher than the current rate, or currently existing favorable terms granted by the lessor are not extended, our business and prospects may be adversely affected. In addition, as our business continues to expand, we may encounter difficulties in finding suitable alternative locations for our facilities. Any failure in relocating our operations could have a detrimental effect on our business, financial condition and prospects.

**Failure to make adequate contributions to various employee benefit plans as required by PRC regulations may subject us to penalties.**

PRC laws and regulations require us to participate in various employee benefit plans. These benefit plans include social insurance, housing provident fund and other welfare-oriented payment obligations. According to applicable PRC laws and regulations, employers must open social insurance registration accounts and housing provident fund accounts and pay social insurance premiums and housing provident fund contributions for employees. PRC laws require that we contribute to the plans in amounts equal to certain percentages of salaries, including bonus and allowances, of our employees up to the maximum amounts specified by the local government at locations where we operate our business. Local governments in China have not consistently implemented requirements regarding employee benefit plans.

During the Track Record Period, we did not make full social insurance and housing provident fund contributions for certain employees in accordance with the relevant PRC laws and regulations, and we engaged third-party human resource agencies to pay social insurance premium and housing provident funds for certain of our employees in certain locations where they work. See "Business — Employees — Social Insurance and Housing Provident Funds." The arrangement with third-party human resource agencies, although not uncommon in China, is not in strict compliance with relevant PRC laws and regulations. As advised by our PRC Legal Advisor, if the third-party human resource agencies fail to pay the social insurance premium or housing provident funds for and on behalf of our employees as required under applicable PRC laws and regulations, we may be ordered to rectify such failure by paying full contributions to social insurance and housing provident funds for our employees. As of the

Latest Practicable Date, no competent government authorities imposed administrative actions, fines or penalties on us with respect to this incident or required us to settle the outstanding amount of social insurance payments and housing provident fund contributions. However, there can be no assurance that the competent government authorities will not require us to settle the outstanding amount within the specified time limit or impose late payment penalties on us, which may adversely affect our financial position and results of operations.

**Any misconduct or noncompliance of our employees or business partners may subject us to potential liability and negative publicity.**

Potential misconduct or noncompliance by our employees could expose us to liability or negative publicity. We cannot guarantee that our employees will not engage in misconduct or noncompliance against our stringent human resources risk management policies and our comprehensive employee handbook approved by our management, which includes extensive internal rules and guidelines covering areas such as best commercial practices, work ethics, fraud prevention mechanisms, and regulatory compliance. Such actions could materially and adversely affect our business, financial condition and prospects. Similarly, misconduct or noncompliance by our business partners could lead to business disruption, negative publicity, or liability. Despite our rigorous standards for selecting business partners, we cannot assure you that our business partners selected through our rigorous selection process with rigorous selection standards will not engage in misconduct or noncompliance. Any such actions by our business partners involved in our operations could impact our business activities and reputation, which may, in turn, affect our business, financial condition and prospects.

**We are subject to complex and evolving laws and regulations regarding privacy and data protection. Actual or alleged failure to comply with privacy and data protection laws and regulations could damage our reputation and subject us to significant legal, financial and operational consequences.**

We are subject to laws and regulations governing cybersecurity, information security, privacy and data protection. The primary PRC laws and regulations on data protection, data privacy, and/or information security currently in effect that we are subject to include, among others, the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》), which took effect on June 1, 2017, the Data Security Law of the PRC (《中華人民共和國數據安全法》), which took effect on September 1, 2021, and the Cyber Data Security Regulations (《網絡數據安全管理條例》), which took effect on January 1, 2025. On December 28, 2021, thirteen PRC governmental and regulatory agencies, including the CAC, promulgated the Measures for Cybersecurity Review (《網絡安全審查辦法》), which came into effect on February 15, 2022, which requires that any network platform operator who possesses the personal information of over one million users and intends to become listed in a foreign jurisdiction shall be subject to cybersecurity review. See "Regulatory Overview — Regulations on Cyber Information Security, Data Security and Privacy Protection." Furthermore, on February 24, 2023, the CSRC released the Provisions on Strengthening the Confidentiality and Archives Administration

Related to the Overseas Securities Offering and Listing by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》), which came into effect on March 31, 2023. See "Regulatory Overview — The PRC Laws and Regulations Relating to Overseas [**REDACTED**]."

In addition, we are exploring new customer demand for our satellite-based solutions and will include interactive experiences through online platforms. Through these platforms, we will engage in the collection, storage and processing of personal information. Therefore, we are subject to numerous laws and regulations regarding privacy and the storage, sharing, use, processing, disclosure and protection of personal information and other customer data, which include the Law of the Protection of Personal Information of the PRC (《中華人民共和國個人信息保護法》). See "Regulatory Overview — Regulations on Cyber Information Security, Data Security and Privacy Protection."

We have adopted various measures to ensure legal compliance. See "Business — Data Security and Privacy." However, the laws and regulations regarding data protection and privacy in China are generally evolving. As such, we cannot guarantee that our data protection measures will always be deemed sufficient under applicable laws and regulations. Additionally, our interpretation and application of these laws may not consistently align with those of the competent governmental authorities. Furthermore, the government may enact new laws and regulations in the future governing the collection, use, disclosure, storage, processing, transmission and destruction of personal information and other data. New data protection and privacy laws could introduce additional requirements or restrictions, necessitate further investment in resources to update compliance programs, and impact business strategies and the availability of previously useful data. Any significant changes to applicable laws, regulations or industry practices regarding data storage, use or processing could require us to modify our services and features, potentially in a substantial manner, and may limit our ability to develop new services and features that utilize the data we collect during our business operations.

Any potential or perceived non-compliance with data-related laws and regulations may hinder our ability to use or provide certain products and solutions. It may result in fines or other penalties, such as necessitating changes to our business operations, suspending relevant business lines, or ceasing operations altogether. Additionally, it could lead to reputational damage, disputes, litigation, or other actions against us by regulatory authorities, customers, or other parties, potentially having a material adverse effect on our business, financial condition, and operational results.

**We may be involved in lawsuits, claims, regulatory investigations or legal proceedings in our ordinary course of business.**

From time to time, we may be involved in lawsuits, claims, disputes, regulatory investigations or legal proceedings in our ordinary course of business. These may concern issues relating to, among others, breach of contract, employment or labor disputes, antitrust, and infringement of intellectual property rights. If we fail in defending against any such claims, we may be subject to substantial damages to compensate the claimants. Any claims, disputes or legal proceedings initiated by us, or brought against us, with or without merit, may result in substantial costs and diversion of resources and may materially harm our reputation. Furthermore, lawsuits, claims, disputes, regulatory investigations or legal proceedings against us may be due to defective supplies sold to us by our suppliers, who may not be able to indemnify us in a timely manner, or at all, for any costs that we incur as a result of such lawsuits, claims, disputes, regulatory investigations or legal proceedings.

**Our acquisition and investment activities and other strategic transactions may present managerial, integration, operational and financial risks, which may prevent us from realizing the full intended benefit of the acquisitions we undertake.**

As part of our growth strategies, we may acquire additional assets, technologies or businesses that are complementary to our existing business. See "Business — Our Strategies — Strengthening Strategic Cooperation, Supply Chain Integration and Business Synergy." Any acquisitions and the subsequent integration of new assets and businesses into our own would require significant attention from our management and could result in a diversion of resources from our existing business, which in turn could adversely affect our business. Acquired assets or businesses may not generate the financial or results of operations we expect. In addition, acquisitions could result in the use of substantial amounts of cash, potentially dilutive issuances of equity securities, the incurrence of debt, the incurrence of significant goodwill impairment charges, amortization expenses for other intangible assets and exposure to potential unknown liabilities of the acquired business.

Any failure to address these risks or other problems encountered in connection with our future acquisitions and investments could cause us to fail to realize the anticipated benefits of such acquisitions or investments, incur unanticipated liabilities and expenses and harm our business generally. If we use our equity securities to pay for acquisitions or investments, we may dilute the value of our Shares. If we borrow funds to finance acquisitions or investments, such debt instruments may contain restrictive covenants that could, among other things, restrict us from distributing dividends. Such acquisitions and investments may also lead to significant amortization expenses related to intangible assets, impairment charges or write-offs. Moreover, the costs of identifying and consummating acquisitions may be significant. In addition to possible shareholders' approval, we may also have to obtain approvals and licenses from the government authorities for the acquisitions and comply with applicable laws and regulations, which could result in increased costs and delays.

**Our risk management and internal control systems may not be adequate or effective.**

We strive to establish and maintain risk management and internal control systems that consist of an organizational framework, policies, procedures, and risk management methods tailored to our business. We aim to continually enhance these systems. See "Business — Risk Management and Internal Control". However, due to inherent limitations in the design and implementation of risk management and internal control systems, we cannot guarantee that our systems will be able to identify, prevent and manage all risks.

Our internal control procedures are designed to monitor our operations and ensure comprehensive compliance. However, these procedures may not always identify non-compliance incidents promptly or at all. Detecting and preventing fraud and other misconduct in a timely manner is not always possible, and the measures we take to prevent and detect such activities may not always be effective.

Our risk management and internal controls also rely on their effective implementation by our employees. We cannot guarantee that such implementation will be free from human errors or mistakes, which could materially and adversely affect our business and financial condition.

As we anticipate offering a broader and more diverse range of products and solutions in the future, the diversification of our offerings will necessitate the continual enhancement of our risk management capabilities. If we fail to adapt our risk management policies and procedures to our evolving business in a timely manner, our business, financial condition and prospects could be materially and adversely affected.

**Negative publicity and allegations involving us, our Shareholders, directors, officers, employees and business partners may affect our reputation and, as a result, our business, financial condition and results of operations may be negatively affected.**

Negative publicity and allegations involving us, our Shareholders, directors, officers, employees and business partners, or the satellite market as a whole may materially and adversely harm our brand image and reputation and cause deterioration in the level of market recognition of and trust in the products and solutions provided by us, thereby resulting in reduced sales volumes and revenues, potential loss of business partners as well as the loss of highly qualified personnel with specialized skills. In addition, such negative publicity may come from malicious harassment or unfair competition acts by third parties, which are beyond our control. Such negative publicity may also result in the diversion of management's attention, and governmental investigations or other forms of scrutiny, which may have a material and adverse effect on our business, financial condition and results of operations.

**Changes in the market or our products and solutions may affect our pricing models and adversely affect our operating results.**

Our pricing models face challenges from evolving market changes. As the market for our products and solutions grows, as our competitors introduce new products and solutions that compete with ours or reduce their prices, or as we enter into new verticals or international markets, we may be unable to attract new customers or retain existing customers based on our historical pricing models. Given our limited operating history and limited experience with our historical pricing models, we may not be able to accurately predict customer renewal or retention. In addition, regardless of the pricing model used, certain customers may demand higher price discounts. See "Business — Marketing and Sales — Pricing." As a result, we may be required to reduce our prices, offer shorter contract durations or offer alternative pricing models, which could adversely affect our business, financial condition and prospects.

**Our performance may suffer from business disruptions associated with information technology, system implementations, or catastrophic losses affecting our IT systems.**

We rely on our IT systems to manage and operate our businesses. The performance, reliability and carrying capacity of our IT system and servers are critical to our success and our ability to provide quality services. See "Business — Information Technology System." However, our systems and network operations may be subject to disruptions arising from human error, power failure, computer viruses, spam attacks, unauthorized access and other similar events. Disruptions to, or instability of, our systems and network that hinder our customers from reaching our products and solutions or prevent us from maintaining our technical secrets could harm our business and reputation.

Additionally, we must continue to upgrade and improve our IT system to support our business growth, and failure to do so could impede our growth. However, we cannot assure you that we will be successful in executing these IT system upgrades and improvement strategies. In particular, our IT systems may experience interruptions during upgrades, and the new technologies or infrastructures may not be fully integrated with the existing systems on a timely basis, or at all. If our IT system does not function properly, it could cause system disruptions and slow response times, affecting data transmission, which, in turn, could materially and adversely affect our business, financial condition and results of operations.

**Our insurance coverage may be inadequate to cover all losses or potential claims by our customers which would affect our business, financial condition and prospects.**

We face various risks in connection with our business, and may lack adequate insurance coverage or have no relevant insurance coverage. We consider our insurance coverage to be adequate as we maintain all the mandatory insurance policies required by PRC laws and regulations and, according to Frost & Sullivan, in accordance with the commercial practices in our industry. See "Business — Insurance." However, we cannot assure you that our insurance will provide adequate coverage for all the risks in connection with our business operations. If we were to incur substantial losses and liabilities that are not covered by our insurance policies, we may be required to bear our losses to the extent that our insurance coverage is insufficient. As a result, we could suffer significant costs and diversion of our resources, which could have a material and adverse effect on our business, financial condition and results of operations.

**We may not be able to raise adequate capital to finance our business strategies, or we may be able to do so only on terms that significantly restrict our ability to operate and grow our business.**

We believe our cash and cash equivalents on hand, together with cash we expect to generate from future operations, will be sufficient to meet our working capital and capital expenditure requirements during the next twelve months. However, the implementation of our business strategy requires a substantial outlay of capital. As we pursue our business strategies and seek to respond to developments in our business and opportunities and trends in our industry, our actual capital expenditures may differ from our expected capital expenditures.

Historically, we have funded our cash requirements principally from cash generated from operations and equity and debt financing. No assurances can be given that our available funds and cash flow from operations will be sufficient to meet our cash needs for the future, or that we will not require additional equity or debt financing. If we determine we need to obtain additional funds through external financing and are unable to do so, we may be prevented from fully implementing our business strategy.

**Changes in environmental, social and governance compliance requirements could have an adverse impact on our business, operating results and financial condition.**

With the rising awareness of environmental, social and governance ("ESG") issues, including with respect to waste disposal, packaging waste, greenhouse gas emissions and environmental protection, more stringent laws and regulations that affect our business operations may be adopted. Accordingly, we may need to devote more effort and resources to ensure our compliance with such laws or regulations. We have adopted a series of measures aiming to ensure our compliance with the ESG-related laws and regulations applicable to us. See "Business — Environmental, Social and Governance." There can be no assurance that these measures can effectively help us to navigate the complex and evolving regulatory environment. Changes in existing ESG-related laws and regulations or the promulgation of new ESG-related laws and regulations may increase our compliance costs, and accordingly may have an adverse impact on our business, results of operations and financial performance.

**We are subject to a variety of laws and regulations in respect of compliance.**

We are subject to a variety of laws and regulations in respect of compliance. For example, we are subject to anti-corruption, anti-money laundering, anti-bribery and other relevant laws and regulations in China. If our compliance processes or internal control systems are not conducted or operating properly, we may be subject to investigations and proceedings by PRC governmental authorities for alleged infringements of these laws and regulations. Such proceedings may result in fines or other liabilities and could have a material adverse effect on our business, financial condition and prospects. If any of our subsidiaries, employees or other persons engage in fraudulent, corrupt or other unfair business practices or otherwise violate applicable laws, regulations or internal controls, we could become subject to one or more enforcement actions or otherwise be found to be in violation of such laws, which may result in penalties, fines and sanctions and in turn adversely affect our business, financial condition and prospects.

In addition, as a PRC domestic company, we are subject to the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and [**REDACTED**] by Domestic Companies (境內企業境外發行證券和[**REDACTED**]管理試行辦法) and relevant supporting guidelines (the "Overseas [**REDACTED**] Regulations"), which came into effect on March 31, 2023. The Overseas [**REDACTED**] Regulations may subject us to additional compliance requirements in the future, and we cannot assure you that we will be able to achieve clearance of our filing procedures under the Overseas [**REDACTED**] Regulations on a timely basis, or at all. Any failure on our part to fully comply with the new regulatory requirements may significantly limit or completely hinder our ability to continue to offer and list securities in overseas markets, cause significant disruption to our business operations, and severely damage our reputation, which could affect our financial condition and results of operations and cause our securities to decline in value.

**Any future occurrence of force majeure events, natural disasters or outbreaks of contagious diseases may materially and adversely affect our business, financial condition and prospects.**

A significant natural disaster, such as an earthquake, fire, flood or pandemic, occurring at our headquarters or where a customer is located could adversely affect our business, financial condition and prospects. Further, if a natural disaster or man-made problem were to affect our suppliers, it could adversely affect the ability of our customers to use our products and solutions. In addition, natural disasters and acts of terrorism could cause disruptions in our or our customers' businesses, national economies or the world economy as a whole. We also rely on information technology systems to communicate among our workforce and with third parties. Any disruption to our communications, whether caused by a natural disaster or by man-made problems, such as power disruptions, could adversely affect our business. We maintain incident management and disaster response plans. In the event of a major disruption caused by a natural disaster or man-made problem, we may be unable to continue our operations and may endure system interruptions, reputational harm, delays in our R&D activities or lengthy interruptions in production, any of which could adversely affect our business, financial condition and prospects.

## RISKS RELATING TO CONDUCTING OPERATIONS IN THE PRINCIPAL PLACE OF OUR BUSINESS

**Changes in the economic, political or social conditions or government policies in the countries and regions where we operate could affect our business, financial condition and prospects.**

Our business, financial condition and results of operations may be influenced by the general political, economic and social conditions in the country where we operate. Governments worldwide have implemented, and may continue to introduce, among others, various policies and measures to encourage the economic growth and guide the allocation of resources. The satellite industry in general is affected by macro-economic factors, including international, national, regional and local economic conditions and trade relationships. Any changes in these factors may have material and adverse effect on our business, financial condition and results of operations.

**You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management.**

We are a company incorporated under the laws of the PRC and substantially all of our business, assets and operations are located in China. In addition, the majority of our Directors, Supervisors and executive officers reside in China, and substantially all of the assets of such Directors, Supervisors and executive officers are located in China. As a result, it may not be possible for you to directly effect service of process upon us or such Directors, Supervisors or executive officers who reside in China, including with respect to matters arising under U.S. federal securities laws or applicable state securities laws. Pursuant to Arrangements for Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Cases between Courts of the Mainland and Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) effective on January 29, 2024, promulgated by the Supreme People's Court, a party with an enforceable final court judgment rendered by any designated people's court of China or any designated Hong Kong court with respect to any civil and commercial cases excluding certain types of which, may apply for recognition and enforcement of the judgment in the relevant people's court of China or Hong Kong court.

China has not entered into a treaty for the reciprocal recognition and enforcement of court judgments with the United States, the United Kingdom, Japan and many other countries. In addition, Hong Kong has no arrangement with the United States for reciprocal enforcement of judgments. In accordance with the Civil Procedure Law of the PRC and other applicable laws, regulations, and interpretations, a court judgment obtained in the United States and any of the other jurisdictions mentioned above may be recognized and enforced in China or Hong Kong in consideration of the treaties providing for the reciprocal enforcement of judgments of courts between China and the country where the judgment was made.

**The foreign exchange regulations may limit our business and results of operations and our ability to remit dividends.**

Conversion and remittance of foreign currencies are subject to the foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, we shall have sufficient foreign exchange to meet our foreign exchange needs. For example, under the Chinese current foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE, but we are required to present relevant documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account, however, normally need to be approved by or registered with the SAFE or its local branch unless otherwise permitted by law. Any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or satisfy any other foreign exchange obligation. If we fail to obtain approvals from the SAFE to convert RMB into any foreign exchange for any of the above purposes, our potential offshore capital expenditure plans and even our business may be materially and adversely affected and could subject us to administrative penalties and fines.

**Fluctuations in exchange rates could result in foreign currency exchange losses.**

The exchange rate of Renminbi against the U.S. dollar and other foreign currencies fluctuates and is affected by, among other things, changes in international political and economic conditions, as well as supply and demand in the local market. There is no assurance that, under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements. It is difficult to predict how market forces or government policies may impact the exchange rate between Renminbi and the Hong Kong dollar, U.S. dollar or other currencies in the future. The [**REDACTED**] from the [**REDACTED**] will be received in Hong Kong dollars. As a result, any appreciation of Renminbi against the U.S. dollar, Hong Kong dollar or any other foreign currency may result in a decrease in the value of our [**REDACTED**] from the [**REDACTED**]. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, our Shares in foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Any of these factors could materially and adversely affect our business, financial condition, results of operations and prospects, and could reduce the value of, and dividends payable on, our Shares in foreign currency terms. Remittances of Renminbi into and out of China are subject to strict restrictions.

**Holders of our H Shares may be subject to PRC income tax on dividends from us or on any gain realized on the transfer of our H Shares.**

As is customary with all major economies, China has tax treaties or similar arrangements with jurisdictions across the world. Under the EIT Law and its implementation rules and Notice on the Issues concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H-share Holders Which Are Overseas Non-resident Enterprises (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) (Guo Shui Han [2008] No. 897) (國稅函[2008]897號), dated November 6, 2008, issued by the SAT, subject to any applicable tax treaty or similar arrangement between China and your jurisdiction of residence that provides for a different income tax arrangement, PRC withholding tax at the rate of 10% is normally applicable to dividends from PRC sources payable to investors that are resident enterprises outside of the PRC, which do not have an establishment or place of business in the PRC, or which have such establishment or place of business if the relevant income is not effectively connected with the establishment or place of business. Any gain realized on the transfer of shares by such investors is subject to 10% (or a lower rate) PRC income tax if such gain is regarded as income derived from sources within the PRC unless a treaty or similar arrangement otherwise provides. As of the Latest Practicable Date, there were no specific rules on how to levy tax on gains realized by non-resident enterprise holders of H Shares through the sale or transfer by other means of H Shares.

Under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) and its implementation rules, income and gains from sources within the PRC paid to foreign individual investors who are not residents in the PRC are generally subject to a PRC withholding tax at a rate of 20%, unless specifically exempted by the tax authority of the State Council or reduced or eliminated by an applicable tax treaty. Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (Guo Shui Han [2011] No. 348) (國稅函[2011]348號) dated June 28, 2011, issued by the SAT, dividends paid to non-PRC resident individual holders of H Shares are generally subject to individual income tax of the PRC at the withholding tax rate of 10%, depending on whether there is any applicable tax treaty between the PRC and the jurisdiction in which the non-PRC resident individual holder of H Shares resides as well as the tax arrangement between the PRC and Hong Kong. Non-PRC resident individual holders who reside in jurisdictions that have not entered into tax treaties with the PRC are subject to a 20% withholding tax on dividends received from us. However, pursuant to the Circular Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the MOF of the PRC and the SAT on March 30, 1998, gains of individuals derived from the transfer of listed shares of enterprises may be exempt from individual income tax. As of the Latest Practicable Date, the aforesaid provision has not expressly provided that individual income tax shall be collected from non-PRC resident individuals on the sale of shares of PRC resident enterprises listed on overseas stock exchanges.

If any PRC income tax is collected from the transfer of our H Shares or on dividends paid to our non-PRC resident investors, the value of your investment in our H Shares may be affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with the PRC may not qualify for benefits under such tax treaties or arrangements.

**Our payment of dividends is subject to restrictions under applicable laws and regulations.**

Under PRC law, dividends may be paid only out of distributable profits. Distributable profits are defined as our profits after taxes as determined under PRC GAAP less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient, if any, distributable profits to enable us to make dividend distributions to our Shareholders in the future, including periods for which our financial statements indicate that our operations have been profitable. Any distributable profits not distributed in a given year are retained and available for distribution in subsequent years.

Moreover, because the calculation of distributable profits under PRC GAAP is different from the calculation under IFRS in certain respects, our subsidiaries may not have distributable profits as determined under PRC GAAP, even if they have profits for that year as determined under IFRS, or vice versa. Accordingly, we may not receive sufficient distributions from our subsidiaries. Failure by our subsidiaries to pay dividends to us could have a negative impact on our cash flow and our ability to make dividend distributions to our Shareholders in the future, including those periods in which our financial statements indicate that our operations have been profitable.

## RISKS RELATING TO THE [REDACTED]

**There has been no prior public market for our H Shares, an active trading market for our H Shares may not develop following the [REDACTED] and the liquidity and market price of our H Shares may be volatile.**

Prior to the [**REDACTED**], there was no public market for our H Shares. We cannot assure you that a public market for our H Shares with adequate liquidity and trading volume will develop and be sustained following the completion of the [**REDACTED**]. In addition, the [**REDACTED**] of our H Shares is expected to be fixed by agreement between the [**REDACTED**] (for itself and on behalf of the [**REDACTED**]) and us and may not be an indication of the market price of our H Shares following the completion of the [**REDACTED**]. If an active public market for our H Shares does not develop following the completion of the [**REDACTED**], the market price and liquidity of our H Shares could be materially and adversely affected. The price and trading volume of our H Shares may be highly volatile. Several factors, some of which are beyond our control, such as variations in our prospects, changes in our pricing policy, the emergence of new technologies, strategic alliances or acquisitions, the addition or departure of key personnel, changes in profit forecast or recommendations by financial analysts, changes in ratings by credit rating agencies, litigation or the removal of the restrictions on share transactions, could cause large and sudden changes to the volume and price at which our H Shares will trade. In addition, the Stock Exchange and other securities markets have, from time to time, experienced significant price and volume volatility that is not related to the operating performance of any particular company.

**The liquidity, trading volume and market price of our H Shares following the [REDACTED] may be volatile, which could result in substantial losses to investors.**

The price and trading volume of our H Shares may be subject to significant volatility in response to various factors beyond our control, including the political uncertainties in Hong Kong and the general market conditions of the securities in Hong Kong and elsewhere in the world. In particular, the business and performance and the market price of the shares of other companies engaging in similar business may affect the price and trading volume of our H Shares. In addition to market and industry factors, the price and trading volume of our H Shares may be highly volatile for specific business reasons, such as fluctuations in our revenue, earnings, cash flows, investments, expenditures, regulatory developments, relationships with our suppliers and customers, movements or activities of key personnel, or actions taken by competitors. Moreover, shares of other companies listed on the Stock Exchange with significant operations and assets in the PRC have experienced price volatility in the past, and it is possible that our H Shares may be subject to changes in price not directly related to our performance but related to the overall political and economic conditions in Hong Kong, the PRC or elsewhere in the world.

**Future sales or issuances or perceived sales or issuances or conversion of substantial amounts of our securities in the public market following the [REDACTED], including any future [REDACTED] in China or conversion of our unlisted Shares into H Shares, could have a material adverse effect on the price of our H Shares and our ability to raise additional capital in the future, and may result in dilution of your shareholding.**

The price of our H Shares could decline as a result of future sales of a substantial number of our H Shares or other securities relating to our H Shares in the public market, the issuance of new shares or other securities, or the perception that such sales or issuances may occur. Future sales, or anticipated sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital at a specific time and on terms favorable to us. In addition, our Shareholders may experience dilution of their holdings if we issue more securities in the future. New shares or shares-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the H Shares.

A certain number of our [**REDACTED**] held by existing Shareholders are or will be subject to contractual and/or legal restrictions on disposal for a period of time after completion of the [**REDACTED**]. After the lapse of the abovementioned restrictions, future sales or perceived sales of substantial amounts of our H Shares, or the possibility of such sales, could negatively impact the market price of our H Shares and our ability to raise equity capital in the future.

According to the stipulations by the State Council's securities regulatory authority and the Articles of Association, our Unlisted Shares may be converted into H Shares and such converted H Shares may be listed or traded on an overseas stock exchange, provided that prior to the conversion and trading of such converted shares, the requisite internal approval processes (but without the necessity of Shareholders' approval by class) have been duly completed and the approval from the relevant PRC regulatory authorities, including the CSRC, have been obtained. In addition, such conversion, trading and listing must comply with the regulations prescribed by the State Council's securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange. We can apply for the listing of all or any portion of our Unlisted Shares on the Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of shares for entry on the H Share register. This could increase the supply of H Shares in the market, and future sales, or perceived sales, of the converted H Shares may materially and adversely affect the trading price of H Shares.

**There will be a gap of two trading days between the pricing and trading of our H Shares, and the price of our H Shares when trading begins could be lower than the [REDACTED].**

The initial price to the public of our H Shares sold in the [**REDACTED**] is expected to be determined on the [**REDACTED**]. However, the H Shares will not commence trading on the Stock Exchange until they are delivered on the [**REDACTED**], which is expected to be two trading days after the [**REDACTED**]. As a result, investors may not be able to sell or deal in our H Shares during that period. Accordingly, holders of our H Shares are subject to the risk that the price of our H Shares could be lower than [**REDACTED**] before trading begins as a result of adverse market conditions or other adverse developments, that could occur between the [**REDACTED**] and the [**REDACTED**].

**You will incur immediate and significant dilution if the [REDACTED] of the [REDACTED] is higher than the net tangible asset value per H Share and may experience further dilution if we issue additional Shares in the future.**

The [**REDACTED**] of the [**REDACTED**] is higher than the net tangible asset value per H Share immediately prior to the [**REDACTED**]. Therefore, purchasers of the [**REDACTED**] in the [**REDACTED**] will experience an immediate dilution in pro forma consolidated net tangible asset value. Purchasers of our H Shares may experience further dilution if the [**REDACTED**] (for itself and on behalf of the [**REDACTED**]) exercise the [**REDACTED**]. There can be no assurance that if we were to immediately liquidate after the [**REDACTED**], any assets would be distributed to Shareholders after the creditors' claims, and investors would receive less than the amount they paid for our H Shares. To expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of the [**REDACTED**] may experience dilution in the net tangible asset value per Share of their Shares if we issue additional Shares in the future at a price that is lower than the net tangible asset value per Share at that time.

**Our Controlling Shareholders have substantial influence over our Company and their interests may not be aligned with the interests of other Shareholders.**

Immediately upon the completion of the [**REDACTED**], our Controlling Shareholders will continue to have significant influence over our business and affairs, including decisions on mergers and acquisitions, disposition of assets, issuance of additional Shares or other equity securities, timing and amount of dividend payments, and our management. There may be a conflict between the Controlling Shareholders' interests and your interests. In addition, without the approval of the Controlling Shareholders, we could be prevented from entering into transactions that could be beneficial to us. This concentration of ownership may also discourage, delay, or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for the Shares as part of a sale of our Company and may significantly reduce the price of our H Shares.

**We cannot guarantee when, whether and in what form or size we will pay dividends in the future.**

Our ability to pay dividends will depend on whether we are able to generate sufficient earnings. Distribution of dividends shall be decided by our Board of Directors at their discretion and will be subject to the approval of the general meeting. A decision to declare or to pay dividends and the amount thereof depends on various factors, including but not limited to our prospects, cash flows and financial position, operating and capital expenditure requirements, distributable profits as determined under PRC GAAP or IFRS (whichever is lower), our Articles of Association and other constitutional documents, the PRC Company Law and any other applicable PRC laws and regulations, market conditions, our strategy and projection for our business, contractual restrictions and obligations, taxation, regulatory restrictions and any other factors from time to time deemed by our Board of Directors as relevant to the declaration or suspension of dividends. As a result, there can be no assurance whether, when and in what form we will pay dividends in the future. Subject to any of the above constraints, we may not be able to pay dividends in accordance with our dividend policy. See "Financial Information — Dividends."

**We have significant discretion as to how we will use the net [REDACTED] of the [REDACTED], and you may not necessarily agree with how we use them.**

Our management may spend the net [**REDACTED**] from the [**REDACTED**] in ways you may not agree with or that do not yield a favorable return. See "Future Plans and Use of [**REDACTED**]." However, our management will have discretion as to the actual application of our net [**REDACTED**]. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific use we will make of the net [**REDACTED**] from this [**REDACTED**].

**Our future financing may cause dilution of your shareholding or place restrictions on our operations.**

In order to raise capital and expand our business, we may consider offering and issuing additional Shares or other securities convertible into or exchangeable for our Shares in the future other than on a pro rata basis to our then existing Shareholders. As a result, the shareholdings of those Shareholders may experience dilution in net asset value per Share. If additional funds are to be raised through debt financing, certain restrictions may be imposed on our operations, which may further limit our ability or discretion to pay dividends, increase our risks in adverse economic conditions, adversely affect our cash flows or limit our flexibility in business development and strategic plans.

**Any possible conversion of Unlisted Shares into H Shares could increase the supply of H Shares in the market, which may negatively impact the market price of H Shares.**

According to the stipulations by the State Council's securities regulatory authority and the Articles of Association, our Unlisted Shares may be converted into H Shares and such converted H Shares may be listed or traded on an overseas stock exchange, provided that prior to the conversion and trading of such converted shares, the requisite internal approval processes (but without the necessity of Shareholders' approval) have been duly completed and the filing with the CSRC has been completed. In addition, such conversion, trading and listing must comply with the regulations prescribed by the State Council's securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange. We can apply for the listing of all or any portion of our Unlisted Shares on the Hong Kong Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Hong Kong Stock Exchange and delivery of shares for entry on the H Share register. This could increase the supply of H Shares in the market, and any future sales, or perceived sales, of the converted H Shares may adversely affect the trading price of H Shares.

**Certain facts, forecasts and other statistics obtained from government publications, market data providers and other independent third-party sources, including the industry report, contained in this document may not be reliable in terms of accuracy, competence or reliance.**

Certain facts, forecasts and other statistics contained in this document relating to China, the PRC economy and the industry in which we operate have been derived from various official government publications or other third-party reports. We have taken reasonable care in the reproduction or extraction of the official government publications or other third-party reports for the purpose of disclosure in this document, however, we cannot guarantee the quality or reliability of such source materials. They have not been prepared or independently verified by us, the Sole Sponsor, the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**] or any of their respective directors, supervisors, officers, representatives, employees, or advisors, or any other persons or parties involved in the [**REDACTED**] and, therefore, we make no representation as to the accuracy of such statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such statistics in this document may be inaccurate or may not be comparable to statistics produced with respect to other economies. Further, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts.

**Forward-looking information in this document is subject to risks and uncertainties.**

This document contains forward-looking statements and information relating to us and our operations and prospects that are based on our current beliefs and assumptions as well as information currently available to us. When used in this document, the words "anticipate," "believe," "estimate," "expect," "plans," "prospects," "going forward," "intend" and similar expressions, as they relate to us or our business, are intended to identify forward-looking statements. Such statements reflect our current views with respect to future events and are subject to risks, uncertainties and various assumptions, including the risk factors described in this document. Should one or more of these risks or uncertainties materialize, or if any of the underlying assumptions prove incorrect, actual results may diverge significantly from the forward-looking statements in this document. Whether actual results will conform with our expectations and predictions is subject to a number of risks and uncertainties, many of which are beyond our control, and reflect future business decisions that are subject to change. In light of these and other uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations that our plans or objectives will be achieved, and investors should not place undue reliance on such forward-looking statements. All forward looking statements contained in this document are qualified by reference to the cautionary statements set out in this section.

**You should read the entire document carefully and we strongly caution you not to place any reliance on any information contained in press articles or other media or research analyst reports regarding us, our business, our industry or the [REDACTED].**

We strongly caution you not to rely on any information contained in press articles or other media regarding us and the [**REDACTED**]. Prior to the publication of this document, there has been press and media coverage regarding us, our business, our industry and the [**REDACTED**]. There may be additional media coverage regarding us, our business, our industry and the [**REDACTED**] subsequent to the date of this document but prior to the completion of the [**REDACTED**]. Such press and media coverage may include references to certain information that does not appear in this document, including certain operating and financial information and projections, valuations and other information. None of us or any other person involved in the [**REDACTED**] has authorized the disclosure of any such information in the press or media and none of us accepts any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this document, we disclaim responsibility for it, and you should not rely on such information.

In preparation for the [**REDACTED**], we have applied for the following waivers from strict compliance with the relevant provisions of the Listing Rules.

## WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, our Company must have sufficient management presence in Hong Kong, which normally means that at least two executive directors must be ordinarily resident in Hong Kong.

Pursuant to Rule 19A.15 of the Listing Rules, the requirement in Rule 8.12 may be waived by having regard to, among other considerations, the applicant's arrangements for maintaining regular communication with the Stock Exchange.

Given that (i) our core business operations are principally located, managed and conducted in the PRC and will continue to be based in the PRC; (ii) our Company's head office is situated in the PRC, our executive Directors and senior management team principally reside in the PRC and will continue to be based in the PRC after the [**REDACTED**]; and (iii) the management and operation of our Company have mainly been under the supervision of the executive Directors and senior management of our Company, who are principally responsible for the overall management, corporate strategy, planning, business development and control of our Company's business, and all the executive Directors and senior management of our Company principally reside in the PRC and it is important for them to remain in close proximity to our Company's operation located in the PRC, we consider that it would be more practical for our executive Directors and senior management to remain ordinarily resident in the PRC where our Company has substantial operations. For the above reasons, we do not have, and do not contemplate in the foreseeable future that we will have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted] us, a waiver from strict compliance with Rule 8.12 of the Listing Rules. We will ensure that there are adequate and efficient arrangements to achieve regular and effective communication between us and the Stock Exchange as well as compliance with the Listing Rules by way of the following arrangements:

1. **Authorized representatives**: we have appointed Mr. Huang Ruoliang (黃若亮) and Ms. Yu Wing Sze (余詠詩) as our authorized representatives ("**Authorized Representatives**") for the purpose of Rule 3.05 of the Listing Rules. The Authorized Representatives will act as our principal channel of communication with the Stock Exchange and would be readily contactable by phone and email to deal promptly with enquiries from the Stock Exchange. Although Mr. Huang resides in the PRC, he possesses or can apply for valid travel documents and are able to renew such travel documents when they expire in order to visit Hong Kong. Accordingly, the Authorized Representatives will be able to meet with the relevant members of the Stock Exchange to discuss any matters in relation to our Company within a reasonable period of time. See "Directors, Supervisors and Senior Management" for more information about Mr. Huang and Ms. Yu.

2. **Directors**: to facilitate communication with the Stock Exchange, we have provided the Authorized Representatives and the Stock Exchange with the contact details (such as mobile phone numbers, office phone numbers and email addresses) of each of our Directors. In the event that any Director expects to travel or otherwise be out of the office, he or she will provide the phone number of the place of his/her accommodation to the Authorized Representatives. Accordingly, the Authorized Representatives have means for contacting all directors promptly at all times as and when the Stock Exchange wishes to contact the Directors on any matters. To the best of our knowledge and information, each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period after being requested to do so by the Stock Exchange.

3. **Compliance advisor**: we have appointed Guotai Junan Capital Limited as our compliance advisor ("**Compliance Advisor**") in compliance with Rule 3A.19 of the Listing Rules. The Compliance Advisor will, among other things and in addition to the Authorized Representatives, provide us with professional advice on continuing obligations under the Listing Rules and act as an additional channel of communication of our Company with the Stock Exchange during the period from the [**REDACTED**] to the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year immediately after the [**REDACTED**]. The Compliance Advisor will be available to answer enquiries from the Stock Exchange and will act as the principal channel of communication with the Stock Exchange when the Authorized Representatives are not available.

4. **Joint company secretary**: we have appointed Ms. Yu Wing Sze (余詠詩), who is a Hong Kong resident, as one of our joint company secretaries. Ms. Yu will maintain constant contact with our Directors and senior management team members through various means.

## WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES

Rule 8.17 of the Listing Rules provides that our Company must appoint a company secretary who satisfies the requirements under Rule 3.28 of the Listing Rules. According to Rule 3.28 of the Listing Rules, our Company must appoint an individual, who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary. Pursuant to Note 1 to Rule 3.28 of the Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable:

(a) a member of The Hong Kong Chartered Governance Institute;

(b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and

(c) a certified public accountant (as defined in the Professional Accountants Ordinance).

In addition, pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing "relevant experience," the Stock Exchange will consider the individual's:

(a) length of employment with the issuer and other issuers and the roles he played;

(b) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;

(c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(d) professional qualifications in other jurisdictions.

We have appointed Ms. Wang Fang (王芳) ("**Ms. Wang**") as one of the joint company secretaries of our Company. Ms. Wang has served as the director of investor relations department of our Company since November 2021 and our Supervisor. Ms. Wang has extensive experience in handling corporate and regulatory compliance and administrative matters of our Group, and is familiar with our Group's business operations. See "Directors, Supervisors and Senior Management" for further biographical details of Ms. Wang. However, Ms. Wang personally does not possess any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules, and may not be able to solely fulfill the requirements of the Listing Rules. Therefore, our Company has appointed Ms. Yu Wing Sze (余詠詩), an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom, who fully meets the requirements stipulated under Rules 3.28 and 8.17 of the Listing Rules to act as one of our joint company secretaries and to provide assistance to Ms. Wang for an initial period of three years from the [**REDACTED**] to enable Ms. Wang to acquire the "relevant experience" under Note 2 to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules. See "Directors, Supervisors and Senior Management" for further biographical details of Ms. Yu which satisfy the requirements under Note 1(a) to Rule 3.28 of the Listing Rules.

The following arrangements have been, or will be, put in place to assist Ms. Wang in acquiring the qualifications and experience as the company secretary of our Company required under Rule 3.28 of the Listing Rules:

(a) Ms. Wang will endeavor to attend relevant training courses, including briefings on the latest changes to the relevant applicable Hong Kong laws and regulations and the Listing Rules, which will be organized by our Company's Hong Kong legal advisor on an invitation basis and seminars organized by the Stock Exchange for listed issuers from time to time;

(b) Ms. Yu will assist Ms. Wang to enable her to acquire the relevant experience (as required under Rule 3.28 of the Listing Rules) to discharge the duties and responsibilities as the company secretary of our Company;

(c) Ms. Yu will communicate regularly with Ms. Wang on matters relating to corporate governance, the Listing Rules and any other laws and regulations which are relevant to our Company and its affairs. Ms. Yu will work closely with, and provide assistance for, Ms. Wang in the discharge of her duties as a company secretary, including organizing our Company's Board meetings and Shareholders' general meetings; and

(d) Upon expiry of Ms. Wang's initial term of appointment as the joint company secretary of our Company, we will evaluate her experience in order to determine if she has acquired the qualifications required under Rule 3.28 of the Listing Rules, and whether on-going assistance should be arranged so that Ms. Wang's appointment as the company secretary of our Company continues to satisfy the requirements under Rules 3.28 and 8.17 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted] us, a waiver from strict compliance with Rules 3.28 and 8.17 of the Listing Rules. Such waiver will be revoked immediately if and when Ms. Yu ceases to provide assistance to Ms. Wang or there are material breaches of the Listing Rules by our Company. Before the expiry of the initial three-year period, the qualification of Ms. Wang will be re-evaluated to determine whether the requirements as stipulated in Note 2 to Rule 3.28 of the Listing Rules can be satisfied.

**[REDACTED]**

[REDACTED]

**[REDACTED]**

[REDACTED]

**[REDACTED]**

**[REDACTED]**

## DIRECTORS

| Name | Address | Nationality |
|---|---|---|
| **Executive Directors** | | |
| Dr. Lu Chuan (陸川) | No. 2, Floor 21, Unit 1, Building 76<br>No. 66 Huafeng Road<br>Jinniu District<br>Chengdu, Sichuan<br>PRC | Chinese |
| Dr. Wang Lei (王磊) | Room 602, Unit 4, Building 27<br>Tiantongyuan 5th Part<br>Dongxiaokou Town<br>Changping District<br>Beijing<br>PRC | Chinese |
| Dr. Zhao Hongjie (趙宏傑) | No. 806, Building 8<br>Jinxiang Lantai<br>No. 519 Lianghe Road<br>Pidu District<br>Chengdu, Sichuan<br>PRC | Chinese |
| Mr. Huang Ruoliang (黃若亮) | Building 13, Bihuyuan<br>Poly Lake Island<br>Chengjinqing Expressway<br>Xindu District<br>Chengdu, Sichuan<br>PRC | Chinese |
| Mr. Guo Yong (郭勇) | No. 1301, 13/F, Unit 1, Building 2<br>No. 89, Kanghe East 5th Street<br>Hi-Tech Zone<br>Chengdu, Sichuan<br>PRC | Chinese |

| Name | Address | Nationality |
|---|---|---|
| **Non-Executive Directors** | | |
| Mr. Wu Tao (吳韜) | Unit 1402, Building E4<br>Xinghe Dandi<br>Longhua District<br>Shenzhen, Guangdong<br>PRC | Chinese |
| Mr. Fang Guiming (方貴明) | Room 2103, Unit 1, Building 2<br>Diehuaxuan, Vanke Jinyu Huafu<br>Hongtu Road, Nancheng District<br>Dongguan City<br>Guangdong Province<br>PRC | Chinese |
| Ms. Qiu Hui (邱慧) | 1804, Building D<br>Jiayu Mansion, No. 205 Xingmin Road<br>Tianhe District<br>Guangzhou, Guangdong<br>PRC | Chinese |
| Mr. Zhu Zhenhua (朱振華) | Building 19<br>Zhongdongli<br>Xicheng District<br>Beijing<br>PRC | Chinese |
| Dr. Sheng Xitai (盛希泰) | 20/F, Building B<br>Runshi Center (Phase I)<br>No. 16 Tianze Road<br>Chaoyang District<br>Beijing<br>PRC | Chinese |
| **Independent non-executive Directors** | | |
| Mr. Huang Mingjian (黃明建) | 102, Unit 3, Building 6<br>Longhu Tianchen Yuanzhu<br>No. 166 Laifeng 5th Road<br>Cujin Street, Wuhou District<br>Chengdu, Sichuan<br>PRC | Chinese |
| Prof. Zhang Tianyu (張田余) | RM D, 2/F, BLK 23<br>Greenwood Terrace<br>26 Sui Wo Road<br>Sha Tin NT<br>Hong Kong | Chinese<br>(Hong Kong) |

| Name | Address | Nationality |
|---|---|---|
| Prof. Huang Jianwei (黃建偉) | Room 501, Building SR4<br>2001 Longxiang Avenue<br>Longcheng Street, Longgang District<br>Shenzhen, Guangdong<br>PRC | Chinese<br>(Hong Kong) |
| Dr. Wang Yanfeng (王延峰) | Room 601, Building 12<br>Wanyuancheng Yujing<br>Lane 666 Gulong Road<br>Minhang District<br>Shanghai<br>PRC | Chinese |
| Prof. Gao Zhipeng (高志鵬) | 1521, Jinao International Apartment<br>No. 19 Madian East Road<br>Haidian District<br>Beijing<br>PRC | Chinese |

**SUPERVISORS**

| Name | Address | Nationality |
|---|---|---|
| Ms. Chen Meng (陳夢) | No. 1502, Building 15<br>Unit 1, Building 9<br>No. 456 Xipuxia Street<br>Pidu District, Chengdu<br>Sichuan<br>PRC | Chinese |
| Mr. Tang Qinlei (唐欽雷) | No. 2401, Unit 1, Building 8<br>No. 418 Century City Road<br>Wuhou District, Chengdu<br>Sichuan<br>PRC | Chinese |
| Ms. Wang Fang (王芳) | Wangjiang Oak Forest Phase II<br>Sanguantang Street<br>Jinjiang District, Chengdu<br>Sichuan<br>PRC | Chinese |

For more information on our Directors and Supervisors, see "Directors, Supervisors and Senior Management" of this document.

## PARTIES INVOLVED IN THE [REDACTED]

| | |
|---|---|
| **Sole Sponsor** | **Guotai Junan Capital Limited**<br>27/F, Low Block<br>Grand Millennium Plaza<br>181 Queen's Road Central<br>Hong Kong<br>*A licenced corporation to carry on type 6 (advising on corporate finance) regulated activity under the SFO* |

**[REDACTED]**

| | |
|---|---|
| **Legal Advisors to our Company** | *As to Hong Kong and U.S. laws:*<br>**Clifford Chance**<br>27/F, Jardine House<br>One Connaught Place<br>Central<br>Hong Kong<br><br>*As to PRC law (including PRC data privacy and protection matters):*<br>**Haiwen & Partners**<br>20/F, Fortune Financial Center<br>5 Dong San Huan Central Road<br>Chaoyang District<br>Beijing 100020<br>PRC<br><br>*As to international sanctions laws:*<br>**Hogan Lovells**<br>11th Floor, One Pacific Place<br>88 Queensway<br>Hong Kong |

| | |
|---|---|
| **Legal Advisors to the Sole Sponsor and the [REDACTED]** | *As to Hong Kong laws:*<br>**Deacons**<br>5/F, Alexandra House<br>18 Chater Road<br>Central<br>Hong Kong<br><br>*As to PRC law:*<br>**Jingtian & Gongcheng**<br>34th Floor, Tower 3<br>China Central Place<br>77 Jianguo Road<br>Beijing<br>PRC |
| **Reporting Accountant and Independent Auditor** | **PricewaterhouseCoopers**<br>*Certified Public Accountants and Registered Public Interest Entity Auditor*<br>22/F, Prince's Building<br>Central<br>Hong Kong |
| **Industry Consultant** | **Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.**<br>Suite 2504, Wheelock Square<br>1717 Nanjing West Road<br>Shanghai<br>PRC |
| **Property valuer** | **Jones Lang LaSalle Corporate Appraisal and Advisory Limited**<br>7th Floor, One Taikoo Place<br>979 King's Road<br>Hong Kong |
| **Compliance Advisor** | **Guotai Junan Capital Limited**<br>27/F, Low Block<br>Grand Millennium Plaza<br>181 Queen's Road Central<br>Hong Kong |

**[REDACTED]**

# CORPORATE INFORMATION

| | |
|---|---|
| **Registered Office** | 1/F, Building 4, No. 1699 Jinhe Road<br>China (Sichuan) Pilot Free Trade Zone<br>Chengdu, PRC |
| **Head Office and Principal Place of Business in the PRC** | 1/F, Building 4, No. 1699 Jinhe Road<br>China (Sichuan) Pilot Free Trade Zone<br>Chengdu, PRC |
| **Principal Place of Business in Hong Kong** | 31/F., Tower Two, Times Square<br>1 Matheson Street, Causeway Bay<br>Hong Kong |
| **Company's Website** | **https://www.adaspace.com/**<br>*(Information on this website does not form part of this document)* |
| **Joint Company Secretaries** | **Ms. Wang Fang (王芳)**<br>1/F, Building 4, No. 1699 Jinhe Road<br>China (Sichuan) Pilot Free Trade Zone<br>Chengdu, PRC<br><br>**Ms. Yu Wing Sze (余詠詩)**<br>*(an associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom)*<br>31/F., Tower Two, Times Square<br>1 Matheson Street, Causeway Bay<br>Hong Kong |
| **Authorized Representatives** | **Mr. Huang Ruoliang (黃若亮)**<br>1/F, Building 4, No. 1699 Jinhe Road<br>China (Sichuan) Pilot Free Trade Zone<br>Chengdu, PRC<br><br>**Ms. Yu Wing Sze (余詠詩)**<br>31/F., Tower Two, Times Square<br>1 Matheson Street, Causeway Bay<br>Hong Kong |
| **Audit Committee** | Mr. Huang Mingjian *(Chairman)*<br>Prof. Zhang Tianyu<br>Mr. Zhu Zhenhua |
| **Remuneration Committee** | Dr. Wang Yanfeng *(Chairman)*<br>Dr. Wang Lei<br>Mr. Huang Mingjian |
| **Nomination Committee** | Dr. Lu Chuan *(Chairman)*<br>Prof. Huang Jianwei<br>Prof. Gao Zhipeng |

# CORPORATE INFORMATION

[**REDACTED**]

| | |
|---|---|
| **Principal Bank(s)** | **China Construction Bank Corporation**<br>**Gaoxin Branch**<br>1/F, A5, Area A<br>Software Park, Tianfu Avenue<br>Wuhou District<br>Chengdu, Sichuan<br>PRC |

*Certain information and statistics set out in this section and elsewhere in this document are derived from various government and other publicly available sources and from the market research report prepared by Frost & Sullivan. Frost & Sullivan is an independent industry consultant engaged by us, and we commissioned Frost & Sullivan to prepare a market research report. The information from official government sources has not been independently verified by our Company, the Sole Sponsor, the* [**REDACTED**]*, the* [**REDACTED**]*, the* [**REDACTED**]*, the* [**REDACTED**]*, the* [**REDACTED**]*, the* [**REDACTED**]*, or any other persons or parties involved in the* [**REDACTED**]*, and no representation is given as to its accuracy. For discussions of risks relating to our industry, please see "Risk Factors — Risks Relating to Our Business and Industry."*

## THE COMMERCIAL AEROSPACE INDUSTRY IN CHINA

Commercial aerospace refers to market-driven and for-profit aerospace activities, including the R&D, production and provision of services of spacecraft, rockets and associated equipment, undertaken by commercial aerospace companies. In terms of the nature of market participants, commercial aerospace companies can be divided into private aerospace companies and state-owned aerospace companies. Since satellites are the principal type of spacecraft, the satellite industry is a subset of the commercial aerospace industry, with the participating private companies being private commercial aerospace companies.

In recent years, the PRC government has vigorously encouraged the development of the commercial aerospace industry. The output value of the commercial aerospace industry in China increased from approximately RMB0.8 trillion in 2019 to RMB1.9 trillion in 2023, growing at a CAGR of 24.1%, and is expected to reach approximately RMB6.0 trillion by 2028, representing a CAGR of 25.9% from 2023 to 2028.

The commercial aerospace industry is set for significant growth due to several key factors: (i) future policies aim to enhance private investment in China's aerospace sector by streamlining permit management and approval processes across scientific research, rocket production, manned flights, satellite development, and other projects, while eliminating redundant construction and optimizing regional layouts; (ii) construction of commercial rocket launching facilities, and development of rocket technology such as multi-satellite launch which allows multiple satellites to be deployed using a single rocket, and reusable carrier rocket which can be launched and reused for multiple missions, significantly reducing launch costs and increasing efficiency; and (iii) the accelerated deployment of large-scale satellite constellation, which drives the rapid growth in demand for satellites and satellite-related solutions from extensive applications.

## THE SATELLITE INDUSTRY IN CHINA

### Overview

Satellite industry is a segment within the commercial aerospace industry. The satellite industry is a strategic emerging industry based on satellite communication, navigation, remote sensing and other technologies such as AI, which encompass all economic activities related to satellite production, launching and application. The satellite industry can be segmented into three main phases, namely, satellite R&D and production, satellite launching and satellite operation and application, and the phase of satellite operation and application further includes the production of ground equipment and the provision of satellite-based solutions.

Satellites enable advancements across a broad range of industries, including communication, environmental monitoring, disaster management and space exploration, by providing global connectivity and high-precision data acquisition. Their ability to deliver high-resolution information empowers industries to address complex challenges, improve decision-making and enhance operational efficiency.

#### *Satellite by Orbits and Applications*

The classification of satellite by orbits includes two categories, namely near-circular orbits and elliptical orbits. Near-circular orbits can be further categorized into Low Earth Orbit ("LEO"), Medium Earth Orbit, and Geosynchronous Orbit by altitude. For definition of each type of orbit, see "Glossary of Technical Terms". With advantages such as low latency, high-resolution Earth observation and cost effectiveness, LEO satellites are an important development direction in satellite industry.

By functions, conventional satellites primarily include communication satellites, navigation satellites and remote sensing satellites. AI satellites are a newly developed and emerging category along with the rapid development of AI technology. AI satellites further include AI application satellites and AI computing satellites, among which (i) AI application satellites, equipped with AI payloads, provide AI-driven data analysis and computing services to enhance satellite functions, and (ii) AI computing satellites provide advanced AI-driven data analysis and computing services not only for themselves but also for other spacecraft and ground-based applications, achieved by onboard computing resources and sophisticated algorithms designed to handle complex data analysis tasks.

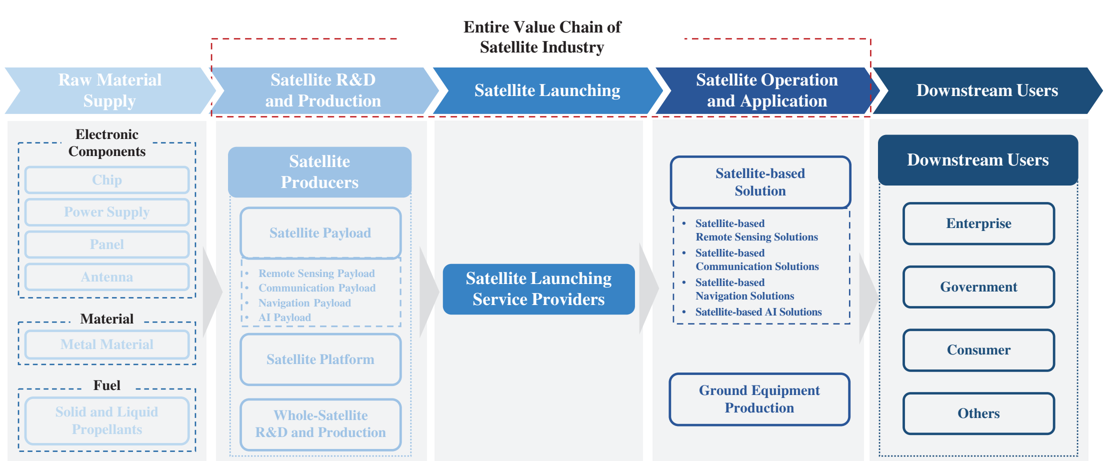
Space AI computing refers to computing resources deployed in the space environment, such as computing systems on AI satellites, used for on-orbit processing and data storage to support tasks such as space-edge computing, Earth observation and space exploration. As AI technology evolves, we anticipate the formation of AI satellite constellations which will significantly enhance space computing capabilities. The development of a collaborative network of AI satellites is expected to overcome individual satellite limitations, creating a formidable space computing infrastructure. This network will not only complement terrestrial AI advancements but also catalyze the development of a new era in space AI computing, potentially equaling or exceeding terrestrial computing power.

### *Satellite Structure*

The structure of a satellite encompasses satellite platform and satellite payloads. The satellite platform refers to the sections of the satellite other than the payloads or payload compartment. It serves as a general module of the satellite and is mainly composed of subsystems such as thermal control and power supply. In contrast, satellite payloads refer to the specific instruments, equipment or subsystems designed to perform the satellite's intended functions or missions once it is in orbit. The nature of these payloads varies according to the satellite's specific functions and missions. Key distinctions between satellites and satellite payloads include: (i) satellite payloads lack independent power supply and propulsion systems; (ii) as integral parts of a satellite, payloads interface directly with the satellite; and (iii) satellite payloads are unable to change orbit autonomously and cannot operate independently in space.

### *The Satellite Industry Value Chain*

The value chain of the satellite industry mainly includes (i) satellite R&D and production, including the R&D and production of satellite payloads, satellite platforms and whole satellites; (ii) satellite launching, primarily encompassing the launch operations carried out by rocket producers and the coordination of launch processes by satellite producers for their customers; (iii) satellite operation and application, including the provision of satellite-based solutions and ground equipment production; and (iv) end users, including enterprise customers, government customers, consumers and other end users such as universities.




*Source: Frost & Sullivan Report*

## Market Size of the Satellite Industry in China

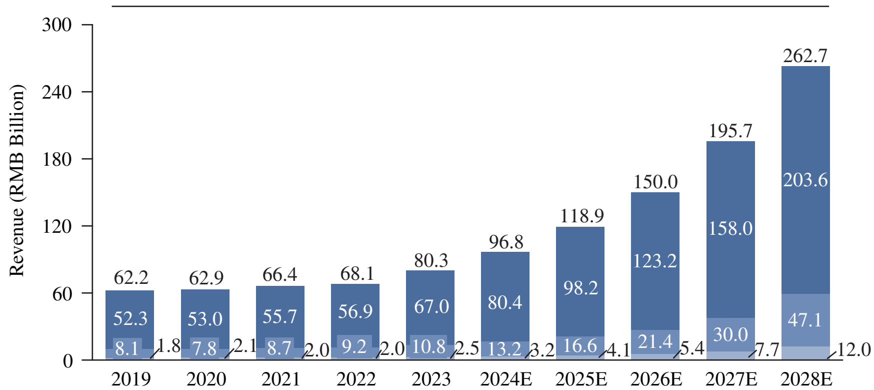
In recent years, the Chinese government has actively promoted the growth of the satellite industry, leading to a significant increase in the number of satellites in orbit. According to the Union of Concerned Scientists Satellite Database, the quantity of in-orbit satellites developed and produced by Chinese companies increased from 323 as of December 31, 2019 to 623 as of May 1, 2023. LEO satellites, a crucial infrastructure for the development of China's satellite industry, saw an increase from 236 as of December 31, 2019 to 508 as of May 1, 2023, with the proportion in the total number of satellites in orbit from 73.1% as of December 31, 2019 to 81.5% as of May 1, 2023.

The satellite industry in China has experienced steady growth in the past few years. The market size of the satellite industry in China in terms of revenue increased from approximately RMB62.2 billion in 2019 to approximately RMB80.3 billion in 2023 at a CAGR of 6.6%. Due to the rapid development of China's commercial aerospace industry driven by favorable policies and the accelerated layout of LEO satellite constellations, the market size of the satellite industry in China in terms of revenue is expected to further grow at a CAGR of 26.8% from 2023, reaching approximately RMB262.7 billion by 2028.

The following chart presents the historical and projected market size of the satellite industry in China in terms of revenue from 2019 to 2028:

**Total Revenue of Satellite Industry in China, 2019-2028E**

| *Revenue* | *CAGR (2019-2023)* | *CAGR (2023-2028E)* |
|---|---|---|
| Satellite Operation and Application | 6.4% | 24.9% |
| Satellite Design and Production | 7.5% | 34.3% |
| Satellite Launching | 8.6% | 36.9% |
| *Total* | 6.6% | 26.8% |




*Source: Satellite Industry Association, Frost & Sullivan Report*

In recent years, the PRC government has actively encouraged private companies to engage in the satellite industry. Propelled by policy support, the swift development of commercial aerospace and technological advancements, and the rapid deployment of LEO satellite constellations, the revenue from private companies in the satellite industry in China increased from approximately RMB17.5 billion in 2019 to approximately RMB23.9 billion in 2023 at a CAGR of 8.1%. The revenue from private companies in the satellite industry in China is expected to further grow at a CAGR of 30.6% from 2023, reaching approximately RMB90.9 billion by 2028. The revenue from private companies accounted for 29.8% of total revenue of the satellite industry in China in 2023, and is expected to account for 34.6% in 2028.

**Competitive Landscape of the Satellite Industry in China**

For a long period of time, the satellite industry in China has been dominated by state-owned satellite companies, which refer to (i) the companies with the proportion of state-owned capital equity exceeding 50% and the largest shareholder being state-owned companies; and (ii) the companies with the proportion of state-owned capital equity lower than 50% and the largest shareholder and actual controller being state-owned companies. With the transformation in satellite development and favorable policies encouraging private capital to enter the satellite industry, private companies in the industry have thrived. Private commercial aerospace companies in satellite-related industries primarily participate in the satellite industry value chain including satellite R&D and production, satellite launching and satellite operation and application. In terms of revenue in 2023, China's top ten private commercial aerospace companies with satellite-related businesses accounted for approximately 49.4% of the total revenue generated from all private commercial aerospace companies with satellite-related businesses, among which our Group ranked eighth with a market share of 1.9%.

As of December 31, 2023, there were fewer than 20 private commercial aerospace companies in China, that manage the full satellite industry value chain, including satellite R&D and production, satellite launching, and satellite operation and application. In terms of revenue in 2023, our Group ranked second among all China's private commercial aerospace companies that manage the full satellite industry value chain. In terms of the revenue growth rate during the Track Record Period, our Group was the fastest growing commercial aerospace company in China's satellite industry.

The following table sets forth the rankings and market shares of China's top ten private commercial aerospace companies with satellite-related businesses in terms of revenue in 2023:

**China's Top Ten Private Commercial Aerospace Companies with Satellite-related Businesses by Revenue, 2023**

| Ranking | Company | Background Information | Whether to Manage the Full Satellite Industry Value Chain | Listing Status | Revenue (Billion RMB) | Market Share (%) |
|---|---|---|---|---|---|---|
| 1 | Company A | Founded in 2003 and headquartered in Shanghai, Company A focuses on the research and development, manufacturing and industrial application of products and solutions related to high-precision navigation and positioning. | No | Listed | 2.68 | 11.2% |
| 2 | Company B | Founded in 2006 and headquartered in Beijing, Company B has been continuously researching and developing digital earth-related products and core technologies, providing software sales and data services, technology services, among others. | No | Listed | 1.86 | 7.8% |
| 3 | Company C | Founded in 2008 and headquartered in Beijing, Company C is one of leading domestic satellite companies, focusing on the space-ground integrated perception network of satellites, drones and ground sensors. | No | Listed | 1.82 | 7.6% |
| 4 | Company D | Founded in 1994 and headquartered in Beijing, Company D is one of the pioneers in the positioning, navigation and timing ("PNT") industry and a leader in the geospatial industry, focusing on high-precision satellite navigation applications. | No | Listed | 1.80 | 7.5% |
| 5 | Company E | Founded in 1999 and headquartered in Guangdong Province, Company E focuses on the research and development, manufacturing, and sales of software and hardware products and services related to the high-precision positioning. | No | Listed | 1.19 | 5.0% |
| 6 | Company F | Founded in 2000 and headquartered in Beijing, Company F has built a global leading intelligent Location Digital Base ("iLDB") by providing high-quality Global Navigation Satellite System ("GNSS") products and services for various applications. | No | Listed | 0.64 | 2.7% |
| 7 | Company G | Founded in 2014 and headquartered in Jilin Province, Company G focuses on the research and development of high-performance and low-cost satellites and the air-space-ground integrated remote sensing information services. | Yes | Not Listed | 0.58 | 2.4% |
| **8** | **Our Group** | **See "Business"** | **Yes** | **–** | **0.46** | **1.9%** |
| 9 | Company H | Founded in 2015 and headquartered in Shanghai, Company H focuses on various types of satellite positioning terminal equipment and spatiotemporal intelligent services. | No | Not Listed | 0.43 | 1.8% |
| 10 | Company I | Founded in 2012 and headquartered in Shanghai, Company I is a high-tech enterprise that masters the core technologies of high-precision Beidou Navigation Satellite System ("BDS") and Global Navigation Satellite System ("GNSS") and has realized large-scale applications. | No | Listed | 0.36 | 1.5% |
| Top 10 | | | | | | 49.4% |

*Source: Annual Reports, Frost & Sullivan Report*

*Note: Revenue refers to the revenue derived from satellite-related businesses.*

We pioneer the R&D and production and launch of AI satellites. With nine AI satellites launched as of the Latest Practicable Date, we ranked first among all private commercial aerospace companies in China in terms of cumulative number of AI satellites launched. We were also the earliest commercial aerospace company in China to develop, produce and launch AI satellites, including AI application satellites and AI computing satellites.

## Market Drivers of the Satellite Industry in China

***Policy Support***. The PRC government has prioritized the development of the satellite industry, implementing a series of supportive policies to foster its growth. For instance, in 2020, the NDRC included satellite Internet for the first time as a new infrastructure. In 2022, the PRC government proposed the development goal of accelerating the construction of a strong aerospace nation. In 2023, the PRC government proposed to develop a number of strategic emerging industries including commercial aerospace, aiming to accelerate the formation of new driving forces for industrial development and further promote the development of commercial aerospace. In 2024, commercial aerospace was mentioned for the first time in the government work report, bringing new development opportunities to China's commercial aerospace industry.

***The Rapid Development of Commercial Aerospace***. Following the release of the Medium and Long-term Development Plan for National Civil Space Infrastructure (2015-2025) (《國家民用空間基礎設施中長期發展規劃(2015-2025年)》) in 2015, the commercial aerospace industry in China has evolved from a state-dominated model to a hybrid one that fosters market-oriented activities, catalyzing the industry's swift expansion. Private companies now play a key role in developing satellite industry, leading to reduced costs, enhanced scalability and accelerated innovation. The growing presence of commercial satellite companies has contributed to the sustained growth of the industry.

***Rapid Layout of LEO Satellite Constellations***. The recent accelerated deployment of LEO satellite constellations has spurred advances in the satellite industry. As the LEO satellite constellations are progressively deployed, they provide continuous global access to satellite observation and satellite communication for ground users. Remote sensing satellite constellations can provide comprehensive remote sensing information services. Communication speeds are rising due to the ongoing development of satellite constellations. Satellites equipped with integrated functions such as communication and remote sensing can meet a wide range of application needs, thereby stimulating the rapid growth in demand for satellite services.

***Technological Advancements***. With the continual advances in satellite technology, the new generation of satellite provides transmission speeds comparable to or even exceeding those of terrestrial broadband. Adopting more efficient transmission technology and advanced satellites can meet users' requirements for high-bandwidth applications such as high-speed data downloads and livestreaming video playback. These improvements have increased demand for satellite services and established these as as a crucial communications platform, leading to a broadening range of applications and growing market demand.

## Development Opportunities and Challenges for the Satellite Industry in China

***Development of AI Satellite***. The increasing complexity of satellite-based solution demands advanced control and data management, and efficient information transmission, driving the integration of AI technology in the satellite industry. AI satellites with onboard intelligent processing, in harmony with ground-based algorithms, facilitate space—ground coordinated operations. This enables intelligent satellite control, diverse data processing and improved satellite operation and maintenance, thereby enhancing solution efficacy. Ongoing advancements in space AI, the development of LEO satellite constellations and inter-satellite connection have enabled distributed computing. AI satellites are expected to become a pivotal component of a space computing network, offering space-based services such as algorithms, computing power and data to other satellites and ground systems. Meanwhile, as commercial aerospace activities continue to increase, the demand for space computing power will grow accordingly. Therefore, AI computing satellites are expected to become an important development trend in the satellite industry, and commercial commercial aerospace companies worldwide will increase their investment in the research and development of AI satellites, especially AI computing satellites.

***Space—Air—Ground—Sea Integrated Network***. In 2020, the NDRC included satellite Internet as a "new infrastructure" for the first time as a category of communication network infrastructure. The accelerated deployment of space infrastructure will enable multidimensional communication interconnectivity across space-based, ground-based, aerial and maritime platforms. This will provide users with comprehensive information services across all space and time domains, facilitating the accurate acquisition, rapid processing and efficient transmission of information. The integrated space—air—ground—sea network will also empower the satellite industry to offer customers broader, more intelligent and more efficient information services.

***The Continual Expansion of Application Scenarios.*** With advances in satellite production technology and the integration of satellite functions, the application scenarios for satellite are expanding into a diverse range of uses, including smart cities, oceanic communication, emergency rescue services, culture, tourism, sports, and gaming. For example, in remote areas such as oceans, deserts and mountainous regions, individuals can enjoy high-quality data services through direct satellite connections on their mobile phones; in the event of natural disasters, rescue personnel can obtain critical information and act more swiftly; and in urban mobility, air traffic management and autonomous driving can enhance both the efficiency and safety of transportation.

***Limitations on Rocket Technology and Payload Capacity***. In the future, as the satellite industry gradually expands, there will be a substantial increase in the demand for satellite launches. The rocket technology and payload capacity will become a critical factor in determining whether large-scale satellite constellations can be successfully deployed.

**Entry Barriers of the Satellite Industry in China**

***Qualification Barriers***. The satellite industry, which is one of the key nationally regulated industries, is subject to the "Catalog of Investment Projects Subject to Government Confirmation (2016 Edition) (《政府核准的投資專案目錄(2016年本)》)" issued by the State Council. In China, satellite production and the establishment of satellite ground stations by private companies require NDRC approval. Additionally, new market participants must secure satellite-related qualifications, including radio frequency use permits and radio station license, making it challenging for new entrants to swiftly navigate regulatory requirements and secure the necessary approvals.

***Technical Barriers***. The satellite industry is technology intensive, involving multiple disciplines such as communications, aerospace, physics and electronic information. The widespread applications of new technologies such as AI, edge computing, new materials and new energy in the satellite industry, present a significant challenge for new entrants to quickly master the industry's core technologies.

***Resource Barriers***. Earth orbit and radio frequency spectrum resources are limited. As the satellite industry expands with new government and company players worldwide, the available orbital slots and radio frequency bands are being rapidly occupied. These resources, which are essential for satellite deployment and the subsequent provision of satellite-based solutions, require a high threshold and a long time period to acquire. Established companies often secure necessary resources early, whereas new entrants face difficulties in acquiring these resources.

***Capital Barriers***. The satellite industry demands significant capital for developing, producing, launching and operating satellites, and constructing necessary infrastructure for comprehensive satellite-based solutions. Additionally, companies requires significant investment in technology research and development, and the establishment of talent reserves to sustain technological leadership and market competitiveness.

***Talent Barriers***. Technical R&D personnel are the core assets of commercial aerospace companies. However, talents in the commercial aerospace industry are scarce, whilst the training period for these talents is lengthy. The satellite industry not only requires technical talent to have solid professional knowledge and skills but also requires them to continually learn and adapt to the development of new technologies to meet the evolving needs of the industry. Therefore, the training and introduction of technical talent is an important entry barrier.

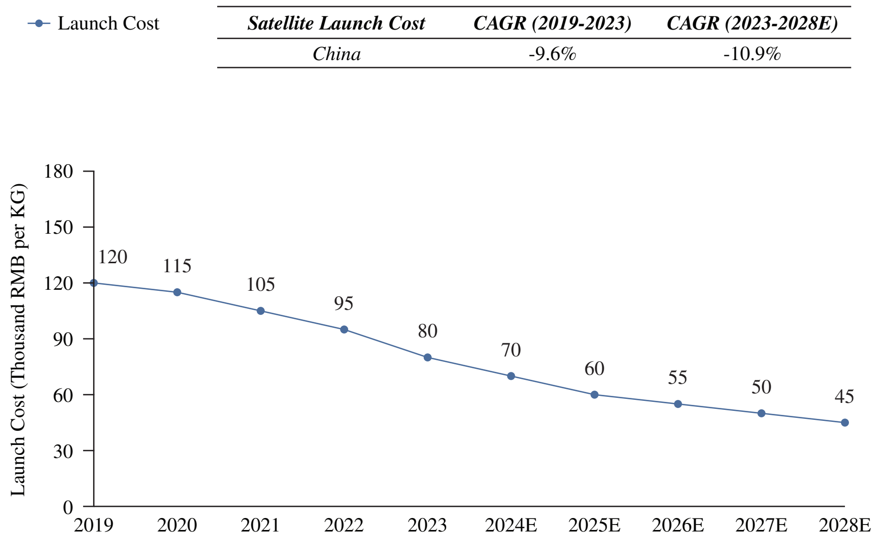
### Average Satellite Launch Cost in China

Mainly due to the continuous advancements in rocket technologies, such as the improvement of payload capacity, and the intensified competition in the rocket industry with the growing number of private rocket companies, the satellite launch cost in China has been decreasing in recent years, from approximately RMB120 thousand per kg in 2019 to RMB80 thousand per kg in 2023, with a CAGR of -9.6%. The satellite launch cost in China is expected to further decrease.

The following chart presents the historical and projected average satellite launch cost in China from 2019 to 2028:

**Satellite Launch Cost (China), 2019-2023**

| *Satellite Launch Cost* | *CAGR (2019-2023)* | *CAGR (2023-2028E)* |
|---|---|---|
| *China* | -9.6% | -10.9% |



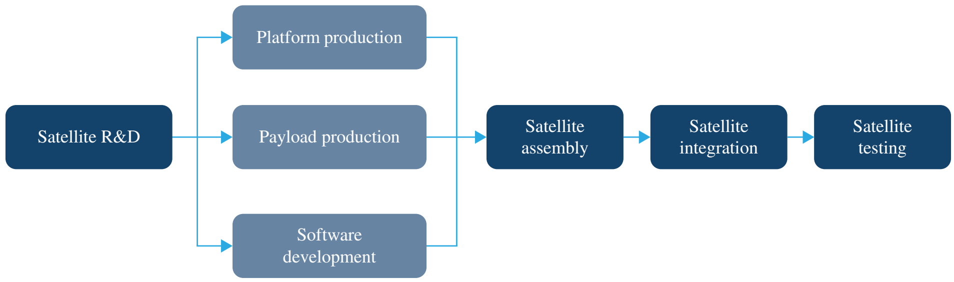

*Source: Frost & Sullivan Report*

## THE SATELLITE PRODUCTION INDUSTRY IN CHINA

### Overview

Satellite production involves the R&D and production of satellite platforms and payloads, along with the assembly of satellite platforms and payloads into a complete satellite. By final product, satellite production can be divided into four categories: the production of (i) whole satellites, (ii) satellite platforms, (iii) satellite payloads, and (iv) specific components. The production of satellite platforms involves constructing systems for telemetry and control, power supply, structural integrity, propulsion, data management, thermal regulation, and attitude control. Payload production includes the production of communication payload, navigation payload, remote sensing payload and AI payload tailored to the satellite's intended function.

The following chart sets forth the main R&D and production process for satellite:



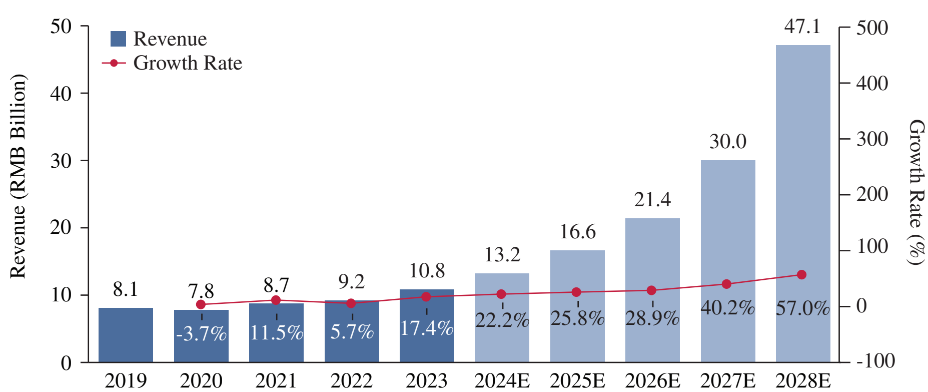

*Source: Satellite Industry Association, Frost & Sullivan Report*

## Market Size of the Satellite Production Industry in China

Propelled by the acceleration of space infrastructure construction and technological advances, the market size of the satellite production industry in China in terms of revenue has maintained steady growth in recent years. The following chart presents the historical and projected market size of the satellite production industry in China in terms of revenue from 2019 to 2028:

**Total Revenue of the Satellite Production Industry in China, 2019-2028E**

| *Revenue* | *CAGR (2019-2023)* | *CAGR (2023-2028E)* |
|---|---|---|
| *China* | 7.5% | 34.3% |




*Source: Satellite Industry Association, Frost & Sullivan Report*

### Development Opportunities of the Satellite Production Industry in China

***Advancements in Satellite Production Technologies Promote Satellite Mass Production***. With the emergence and application of advanced production technologies such as automated production lines, intelligent production and additive manufacturing, the efficiency of satellite production will be significantly improved, the production costs will be further reduced, and the production cycles will be further shortened, thereby enhancing the satellite producers' profitability and driving the rapid development of the satellite industry.

***Development of Miniaturized and Low-cost Satellites***. With the accelerated deployment of satellite constellations, the industry is increasingly focusing on the production of small and microsatellites in LEO due to their shorter production times, cost effectiveness and scalability. Additionally, advances in technology and supply chain optimization are reducing satellite production costs. The development of miniaturized and low-cost satellites support rapid constellation development and boosts producers' profits, fueling further technological advancements and the growth of AI satellite constellations.

***Integration of Satellite Functions Drives Application Demand***. In order to address the expanding spectrum of application demands, offer more comprehensive services and increase revenue opportunities in satellite application market, conventional satellite functions are expected to be further integrated and enhanced with innovative technologies such as AI. For instance, AI satellites, which integrate advanced AI algorithms, provide AI-driven data analysis and computing services for both spacecraft and ground-based applications, offering more diversified services in a more efficient way, thereby promoting the innovative development of satellite production in diversified application scenarios.

## THE SATELLITE OPERATION AND APPLICATION INDUSTRY IN CHINA

### Overview

The satellite operation and application industry leverages satellites, ground stations and data processing centers to acquire, transmit and process a variety of satellite data and information, providing customers with a wide range of satellite-based solutions. The satellite operations and applications include satellite-based solutions and ground equipment production. Satellite-based solutions refer to the provision of diversified satellite data and resources such as communication services, remote sensing images, navigation data and AI computing power, as well as the provision of customized solutions that utilize satellite data and resources and other advanced technologies such as AI computing capabilities. Ground equipment production refers to the production of a variety of ground equipment that ensures the reception and transmission of satellite data, providing ground-based infrastructure for satellite-based solutions.

Satellite-based remote sensing solutions, as one of the primary satellite-based solutions, encompass the utilization of satellite data and its derivatives, including sales, software development and service provision. The process involves data collection, management, processing and analysis to extract pertinent information for diverse sectors including agriculture, forestry, meteorology, oceanography, resource management, emergency response and smart cities. These applications are valued for their broad scope, varied sources, regularity, detail and measurable data. They provide data for tracking environmental trends, aiding crop management, supporting urban development, predicting and assessing natural disasters, exploring natural resources and informing economic analyses for investors.

3D remote sensing technology is an advanced spatial data processing technique that can provide 3D spatial information of the Earth's surface. 2D raw images captured by satellites are highly reliable and rich in detail, and offer high clarity. When processed by AI algorithms, these images can be efficiently and economically converted into 3D images. Post-processed 3D remote sensing images can provide high-precision, multi-dimensional visualizations of surface features, transforming complex geographic information into intuitive and understandable digital models. 3D remote sensing images are widely applied in various fields such as digital city applications, culture, tourism, sports and gaming, among others, providing critical data support for decision-makers. Further, 3D remote sensing images can be integrated into various advanced satellite-based remote sensing solutions, enhancing their analytical capabilities and application values.

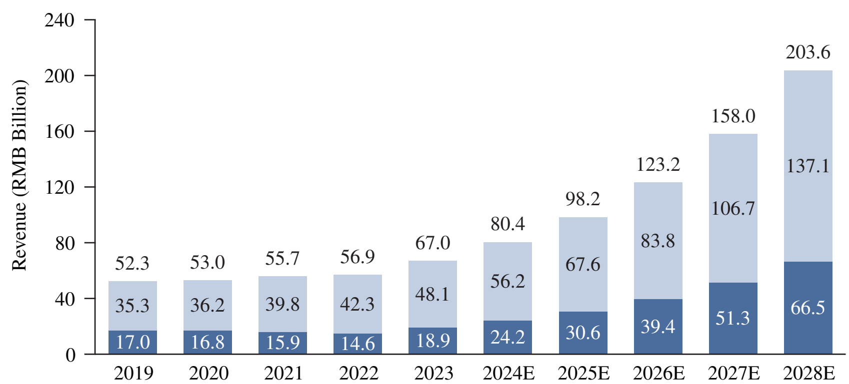
Compared to the generation of 3D remote sensing images through traditional methods, using satellite technology to generate 3D remote sensing data provides technical and cost benefits. From a technical perspective, satellites provide extensive geographic coverage and are equipped with high-resolution sensors and multispectral imaging capabilities, which enable the capture of more detailed and informative surface features and support the generation of highly accurate 3D models. From a cost perspective, the use of satellite data can significantly reduce the cost of fieldwork, especially in remote or hazardous areas. For large-scale 3D modeling, the cost-effectiveness of satellite remote sensing data is significant. As the coverage area of satellite remote sensing increases, the cost of data acquisition per unit area decreases accordingly.

## Market Size of the Satellite Operation and Application Industry in China

Propelled by the policy support, rapid development of the geographic information industry, technological innovation and application expansion, the market size of the satellite operation and application industry in China in terms of revenue has witnesses continual increase from 2019 to 2023, and is expected to continue to grow from 2023 to 2028. The following chart presents the historical and projected market size of the satellite operation and application industry in China in terms of revenue from 2019 to 2028:

**Total Revenue of Satellite Operation and Application Industry (China), 2019-2028E**

| *Revenue* | *CAGR (2019-2023)* | *CAGR (2023-2028E)* |
|---|---|---|
| Satellite-based Solutions | 8.0% | 23.3% |
| Ground Equipment Production | 2.7% | 28.6% |
| *Total* | 6.4% | 24.9% |




*Source: Satellite Industry Association, Frost & Sullivan Report*

## Development Opportunities for the Satellite Operation and Application Industry in China

***AI Empowering Remote Sensing Data Processing***. AI plays a significant role in the precise processing of remote sensing data, spatiotemporal analysis and feature classification and recognition. It can effectively improve the efficiency of processing satellite data, reduce the cost of data processing, and achieve automation and intelligentization of satellite data processing, thereby enhancing operational efficiency for businesses. For example, in-orbit AI super-resolution algorithms allow satellites to process images on-board, achieving clarity and detail enhancement in space, which significantly improves image quality and application value while enhancing processing efficiency. Additionally, in response to various customers' needs, advanced AI algorithms are employed for additional analysis of satellite data to process, analyze and refine the images and data for specific application scenarios in the data processing center on the ground, which can enable multi-temporal analysis, precise object detection and feature extraction, thereby producing tailored insights for diverse industries.

***Digital Twin Technology***. Based on remote sensing data, 3D modelling and digital twin technology can be used to rapidly construct highly realistic urban scenes at different scales. This provides technical support for the refined management of natural resources and the precision governance of cities and can be widely applied in natural resources, smart cities, power line inspections, construction monitoring, emergency command, cultural tourism and sports. By presenting various data sources such as geographic information, remote sensing data and surface feature modeling in a visual format, the application of digital twin technology can not only enhance the customers' decision-making capabilities but also significantly boost operational efficiency. In the future, the continuous advancement of digital twin technology will play an increasingly important role in the satellite-based remote sensing solution industry.

***Integrated Framework to Ensure Reliable Solution Delivery***. Satellite-based solution providers have been dedicated to leveraging an integrated framework including satellites, ground stations and control centers to ensure seamless data transmission and efficient operational control. When each satellite passes over a ground station, operational commands are uploaded and collected data is downloaded for processing, while satellite control center coordinates these operations, enabling task execution, data refinement and delivery to customers. The integrated framework achieves interaction and effective collaboration among various operating systems, which ensures the efficient and reliable delivery of satellite-based solutions across various application scenarios and fulfill the specific customers' requirements while maintaining high quality and accuracy.

## SOURCE OF INDUSTRY INFORMATION

We engaged Frost & Sullivan, an independent market research consultant, to conduct an analysis of, and to prepare a report, the satellite industry, which was commissioned by us for a fee of RMB500,000. Frost & Sullivan prepared its report based on data released by government institutions and non-government organizations and its primary research.

Forecasts and assumptions included in the Frost & Sullivan Report are inherently uncertain because of events or combinations of events that cannot be reasonably foreseen, including, without limitation, the actions of government, individuals, third parties and competitors. Specific factors that could cause actual results to differ materially include, among other things, risks inherent in the satellite industry, financing risks, labor risks, supply risks, regulatory risks and environmental concerns.

Except as otherwise noted, all data and forecasts contained in this section are derived from the Frost & Sullivan Report. Our Directors confirm that after taking reasonable care, there is no material adverse change in the overall market information since the date of the Frost & Sullivan Report that would materially qualify, contradict, or have an impact on such information.

## THE PRC LAWS AND REGULATIONS RELATING TO OVERSEAS LISTING

### Trial Administrative Measures of Overseas Securities Offering and Listing

On February 17, 2023, with the approval of the State Council, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》 (the "Trial Administrative Measures") and five related guidelines, which has come into effect from March 31, 2023.

According to the Trial Administrative Measures, (i) a domestic enterprise in the PRC that directly or indirectly issues securities outside the PRC or lists and trades its securities outside the PRC shall file a report with the CSRC and submit the relevant materials; if a domestic enterprise fails to comply with the procedures for filing a report, or hides important facts or fabricates any material content in the report, the domestic enterprise may be subject to administrative penalties such as rectification order, warnings, fines, and so forth, and the controlling shareholders, actual controllers, officers in charge and other persons directly responsible may also be subject to administrative penalties such as warnings, fines, and so forth; (ii) the direct overseas issuance and listing of a domestic enterprise refers to the overseas issuance and listing of shares of a joint stock limited company registered and established in the PRC; and (iii) any domestic joint stock limited company shall file a report with the CSRC within three working days after the submission of its application for an overseas listing. A PRC domestic enterprise that fails to complete the filing in accordance with the Trial Administrative Measures may be ordered by the CSRC to make corrections, given a warning and fined not less than RMB1 million and not more than RMB10 million.

In addition, overseas [**REDACTED**] and listing by domestic companies shall abide by laws, administrative regulations and relevant rules concerning foreign investment in China, state-owned asset administration, industry regulation and outbound investment. Such activities shall not disrupt domestic market order, harm state or public interest or undermine the lawful rights and interests of domestic investors. A domestic company that seeks to offer and list securities in overseas markets shall (i) abide by applicable laws, including the Company Law of the People's Republic of China and the Accounting Law of the People's Republic of China, administrative regulations and relevant state rules, and formulate articles of association, improve internal control system, enhance corporate governance, and promote compliance in corporate finance and accounting practices; (ii) abide by national secrecy laws and relevant provisions and take necessary measures to fulfill confidentiality obligations. Divulgence of state secrets or working secrets of government agencies is strictly prohibited. Provision of personal information, important data and etc. to overseas parties in relation to overseas offering and listing of domestic companies shall be in compliance with applicable laws, administrative regulations and relevant state rules. Furthermore, the Trial Administrative Measures also stipulates that no overseas offering and listing shall be made under any of the following circumstances (among others) (i) where such fundraising offering and listing is explicitly prohibited by provisions in laws and regulations; (ii) where the intended securities offering and listing may endanger national security; (iii) where the domestic company intending to make the securities offering and listing, or its controlling shareholders and the actual controller, have committed crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) where the domestic company intending to make the securities offering and listing is suspected of committing crimes or major violations of laws and regulations, and is under investigation according to law, and no conclusion has yet been made thereof; or (v) where there are material ownership disputes over the equity held by controlling shareholders or by other shareholders that are controlled by controlling shareholders or actual controllers.

To enhance confidentiality and archive management for domestic enterprises' overseas offerings and listing, CSRC, MOF, National Administration of State Secrets Protection, and National Archives Administration revised regulations. The updated Provisions on Strengthening Confidentiality and Archives Administration Concerning Overseas Securities Offerings and Listings (CSRC Announcement [2009] No. 29) (《關於加強在境外發行證券與上市相關保密和檔案管理工作的規定》(證監會公告[2009]29號) were replaced with the Provisions on Strengthening Confidentiality and Archives Administration Concerning Overseas Securities Offerings and Listings by Domestic Enterprises (CSRC Announcement [2023] No. 44) (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》(證監會公告[2023]44號) which became effective on March 31, 2023. These provisions now cover domestic joint stock companies directly listing overseas and entities indirectly listing abroad. They outline procedural requirements and specify enterprises' confidentiality responsibilities and accounting archives administration, in alignment with the Trial Administrative Measures.

**Full Circulation of H Shares**

"Full circulation" represents listing and circulating on the Stock Exchange of the domestic unlisted shares of a domestic H-share listed company, including unlisted domestic shares held by domestic shareholders prior to overseas listing, unlisted domestic shares additionally issued after overseas listing, and unlisted shares held by foreign shareholders. On August 10, 2023, CSRC announced the Guidelines for the "Full Circulation" Program for Domestic Unlisted Shares of H-share Listed Companies (《H股公司境內未上市股份申請「全流通」業務指引》), allows certain qualified H-share listed companies and H-share companies to be listed for the application of full circulation to CSRC.

According to the Guidelines for the "Full Circulation" Program for Domestic Unlisted Shares of H-share Listed Companies, shareholders of domestic unlisted shares may determine by themselves through consultation the amount and proportion of shares, for which an application will be filed for circulation, provided that the requirements laid down in the relevant laws and regulations and set out in the policies for state-owned asset administration, foreign investment and industry regulation are met, and the corresponding H-share listed company may be entrusted to file the said application for "full circulation". Pursuant to the Trial Administrative Measures, shareholders holding unlisted shares in the PRC should comply with the relevant requirements of the CSRC and appoint a domestic enterprise to file a report with the CSRC.

On December 31, 2019, China Securities Depository and Clearing Corporation Limited and Shenzhen Stock Exchange jointly announced the Measures for Implementation of H-share "Full Circulation" Business ("Measures for Implementation"). The businesses of cross-border share transfer registration, maintenance of deposit and holding details, transaction entrustment and instruction transmission, settlement, management of settlement participants, services of nominal holders, etc. in relation to the H-share "full circulation business", are subject to these Measures for Implementation.

In order to fully promote the reform of H-shares "full circulation" and clarify the business arrangement and procedures for the relevant shares' registration, custody, settlement and delivery, China Securities Depository and Clearing Corporation Limited has issued the Circular on Issuing the Guidelines to the Program for "Full Circulation" of H-shares (《關於發佈<H股「全流通」業務指南>的通知》) in February 2020, which specified the business preparation, account arrangement, cross-border share transfer registration and overseas centralized custody, etc.

## REGULATIONS RELATED TO THE COMMERCIAL SPACE INDUSTRY

### Qualification Requirements for the Research and Production, Launch, and On-Orbit Operation of Miniature Satellites

The Notice of the State Council on Issuing the Catalog of Investment Projects Subject to Government Confirmation (2016 Edition) (《國務院關於發佈政府核准的投資項目目錄(2016年本)的通知》) issued by the State Council in December 2016 stipulates that the production of civil satellites and the construction of civil remote sensing satellite ground station projects shall be subject to approval by the investment authority under the State Council.

According to the Notice of the State Administration of Science, Technology, and Industry for National Defense and the Equipment Development Department of the Central Military Commission on Promoting the Systematic Development of Miniature Satellites and Strengthening Safety Management (《國家國防科技工業局、中央軍委裝備發展部關於促進微小衛星有序發展和加強安全管理的通知》) issued on May 7, 2021, relevant institutions shall obtain relevant qualifications for scientific research and production of weapons and equipment according to relevant regulations before carrying out related scientific research and production activities of miniature satellites with a mass of over 500 kg. Relevant institutions shall apply for the permits for civil space launch projects before civil and commercial miniature satellites carrying out launch missions according to relevant requirements. When miniature satellites are launched into orbit or the in-orbit status changes, the owner shall fulfill the registration or change procedures of space objects according to relevant regulations.

**Qualification Requirements for Scientific Research, Production, and Launching of Commercial Carrier Rockets**

According to the Notice of the State Administration of Science, Technology, and Industry for National Defense and the Equipment Development Department of the Central Military Commission on Promoting the Systematic and Orderly Development of Commercial Carrier Rockets (《國家國防科技工業局、中央軍委裝備發展部關於促進商業運載火箭規範有序發展的通知》) issued on May 30, 2019, and the Interim Measures on the Administration of Permits for Civil Space Launch Projects (《民用航天發射項目許可證管理暫行辦法》) issued by the National Defense Commission of Science, Technology and Industry in December 2002, commercial carrier rockets enterprises must obtain scientific research permits before engaging in related scientific research experiments, development and trial production activities; after obtaining production permits, they can engage in the production of related products; and after obtaining the launch permits, they can carry out launch activities.

**Qualification Requirements for Surveying and Mapping**

On April 27, 2017, the Standing Committee of the National People's Congress (the "SCNPC") issued the Surveying and Mapping Law of the People's Republic of China (《中華人民共和國測繪法》) which came into effect on July 1, 2017. It is the fundamental law for surveying and mapping management in China, covering the surveying and mapping bases and systems, basic surveying and mapping, boundary surveying and other surveys, qualifications for surveying and mapping, surveying and mapping results, protection of surveying marks, and related legal responsibilities.

On June 7, 2021, the General Office of the Ministry of Natural Resources issued the Promulgation of the Administrative Measures on Surveying and Mapping Qualifications (《測繪資質管理辦法》) and the Standards for the Classification and Grading of Surveying and Mapping Qualifications (《測繪資質分類分級標準》) which came into effect on July 1, 2021. The aforementioned regulations define the requirements for obtaining the surveying and mapping qualification certificate, the professional categories permitted by the qualification levels, and the scope of operational restrictions. According to these regulations, entities engaged in surveying and mapping activities within the territory of the People's Republic of China and other maritime areas under its jurisdiction must acquire surveying and mapping qualifications of Class A or Class B and conduct related activities within the professional categories and operational restrictions allowed by the qualification level.

**Regulations on Satellite Remote Sensing and Radio Frequency Allocation**

The Notice by the State Administration of Science, Technology and Industry for National Defense, the NDRC and the MOF of Issuing the Interim Measures for the Management of Remote Sensing Data from China's Civilian Satellites (《國防科工局、發展改革委、財政部關於印發<國家民用衛星遙感數據管理暫行辦法>的通知》) issued on December 29, 2018 states that international cooperation on remote sensing satellite data shall follow the principles of equality and mutual benefit, peaceful utilization, and inclusive development. It clarifies the responsible party, strengthens multi-party collaboration, promotes the promotion of international applications, and supports the opening and sharing of remote sensing satellite data.

The Notice by Ministry of Industry and the State Administration of Science, Technology and Industry for National Defense of Issuing the Radio Frequency Resource Utilization Plan for Remote Sensing and Space Science Satellites (2019-2025) (《工業和信息化部、國防科工局關於印發<遙感和空間科學衛星無線電頻率資源使用規劃(2019-2025年)>的通知》) issued in March 2019 focuses on the planned utilization of frequency resources for remote sensing and space science satellites, the design of frequency usage plans and compatibility analysis, as well as the declaration, coordination, registration, and maintenance of satellite networks, and proposes corresponding policy measures and usage requirements.

**Export Control and Confidentiality Regulations for Commercial Satellites**

The Notice of the State Administration of Science, Technology, and Industry for National Defense and the Equipment Development Department of the Central Military Commission on Promoting the Systematic Development of Miniature Satellites and Strengthening Safety Management (《國家國防科技工業局、中央軍委裝備發展部關於促進微小衛星有序發展和加強安全管理的通知》) issued on May 7, 2021 stipulates that institutions and individuals engaged in scientific research, production, launch, measurement and control, and application of miniature satellites shall comply with the provisions of the National Security Law of the People's Republic of China (《中華人民共和國國家安全法》), the Law of the People's Republic of China on Guarding State Secrets (《中華人民共和國保守國家秘密法》), the Counterespionage Law of the People's Republic of China (《中華人民共和國反間諜法》), the Export Control Law of the People's Republic of China (《中華人民共和國出口管制法》) and related detailed rules.

According to the Notice of the State Administration of Science, Technology, and Industry for National Defense and the Equipment Development Department of the Central Military Commission on Promoting the Systematic and Orderly Development of Commercial Carrier Rockets (《國家國防科技工業局、中央軍委裝備發展部關於促進商業運載火箭規範有序發展的通知》) issued on May 30, 2019, export controls are implemented on commercial carrier rockets and related dedicated items and technologies, as well as related dual-use items, technologies, and services.

## REGULATIONS ON THE CONTROLLING OF THE IMPORT AND EXPORT OF PRODUCTS

**Foreign Trade**

According to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) (the "Foreign Trade Law") promulgated by the SCNPC on May 12, 1994 and amended on December 30, 2022, foreign trade operators are not required to register since December 30, 2022. The PRC government permits the free import and export of commodities and technologies, unless otherwise provided by laws and administrative regulations. Prior to December 30, 2022, under the preamended Foreign Trade Law, foreign trade operators engaged in the import and export of commodities or technologies shall apply for registration with the foreign trade authorities under the State Council or its delegated authorities for the record, unless otherwise provided by laws and administrative regulations and requirements of the foreign trade authorities under the State Council. If a foreign trade operator fails to register for the record in accordance with the provisions, the Customs Department shall not carry out customs clearance of imported or exported commodities.

**Customs Law**

According to the Customs Law of the PRC (《中華人民共和國海關法》) adopted by the SCNPC on January 22, 1987, most recently amended on April 29, 2021 and effective from the same date, the Customs of the People's Republic of China is the state's entry and exit customs supervision and administration authority. According to the relevant laws and administrative regulations, the Customs supervises the transportation vehicles, goods, luggages, postal articles and other articles entering and leaving the country, collects customs duties and other taxes and fees, prevents and counters smuggling, compiles customs statistics and handles other customs operations.

According to the Regulations of PRC Customs on Administration of Recordation of Declaration Entities (《中華人民共和國海關報關單位備案管理規定》) adopted by the General Administration of Customs on November 19, 2021 and effective from January 1, 2022, customs declaration entities refer to the consignees and consignors of import and export goods and customs declaration enterprises recorded with the customs. If the consignees and consignors of import and export goods and customs declaration enterprises apply for recordation, they shall obtain the qualification of market entities.

**LAWS IN RELATION TO PRODUCT QUALITY AND CONSUMER PROTECTION**

Pursuant to the Product Quality Law of the PRC (《中華人民共和國產品質量法》) promulgated on February 22, 1993 and latest amended on December 29, 2018 by the SCNPC, the seller shall be responsible for the repair, replacement or return of the product sold if (i) the product sold does not possess the properties for use that it should possess, and no prior and clear indication is given of such a situation; (ii) the product sold does not conform to the applied product standard as carried on the product or its packaging; or (iii) the product sold does not conform to the quality indicated by such means as a product description or physical sample. If a consumer incurs losses as a result of the purchased product, the seller shall compensate for such losses.

Under the Civil Code of the People's Republic of China (《中華人民共和國民法典》) (the "Civil Code", effective from January 1, 2021) adopted by the National People's Congress on May 28, 2020, a producer or a commercial seller is subject to liability for physical injury or property loss caused by the product defects. The aggrieved party may seek compensation from the producer or the commercial seller. Where the aggrieved party seeks compensation from the commercial seller, the commercial seller has the right to make a claim against the liable producer after it has made compensation.

The Protection of the Rights and Interests of Consumers Law of the PRC (《中華人民共和國消費者權益保護法》) was promulgated on October 31, 1993 and was amended on August 27, 2009 and October 25, 2013 to protect consumers' rights when they purchase or use goods and accept services. All business operators must comply with this law when they produce or sell goods and/or provide services to consumers. Under the amendments made on October 25, 2013, all business operators must pay high attention to protecting consumers' privacy and must strictly keep confidential any consumer information they obtain during their business operations.

## REGULATIONS REGARDING THE SALE OF PRODUCTS

### Laws Related to Anti-Unfair Competition

The Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》) promulgated by the Standing Committee of the National People's Congress on September 2, 1993, and effective from December 1, 1993, with the latest amendment taking effect on April 23, 2019, has established several measures to combat unfair competition and protect market order. These measures include prohibiting acts such as unfair prize promotions and dumping to exclude market competitors.

According to the Anti-Unfair Competition Law of the PRC, operators are not allowed to bribe any employees of the counterpart units, any units or personnel entrusted by the counterpart, or influence the units or personnel of the counterpart to gain commercial opportunities or competitive advantages through their power. In addition, operators can openly pay discounts to the trading counterpart or commissions to intermediaries in their trading activities. Operators should truthfully record payments made to trading counterparts and intermediaries.

Operators who violate the provisions of Article 7 of the law by bribing others can have their illegal gains confiscated by the regulatory authority, and they may be fined with an amount ranging from RMB100,000 to RMB3,000,000 depending on the severity of the circumstances. In severe cases, their business licenses may be revoked.

## REGULATIONS ON WORK SAFETY

Under relevant construction safety laws and regulations, including the Work Safety Law of the PRC (《中華人民共和國安全生產法》), which was promulgated by the SCNPC on June 29, 2002, last amended on June 10, 2021, and effective on September 1, 2021, production and operating business entities must establish objectives and measures for work safety and improve the working environment and conditions for workers in a planned and systematic way. A work safety protection scheme must also be set up to implement the work safety job responsibility system. In addition, production and operating business entities must arrange work safety training and provide their employees with protective equipment that meets the national or industrial standards.

## REGULATIONS RELATED TO FIRE PREVENTION

### Fire Protection Design Review and Final Inspection

According to the Interim Provisions on the Administration of Examination and Acceptance of Fire Prevention Design of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》) promulgated by the Ministry of Housing and Urban-Rural Development on April 1, 2020 and effective on June 1, 2020, and recently amended on August 21, 2023, The fire protection design review system shall apply to special construction projects which a hotel, a restaurant, a shopping mall or a market, with a GFA of more than 10,000 sq.m. Where an as-built special construction project undergoes the final inspection formalities, the construction entity shall file an application for fire protection final inspection with the competent department of fire protection design review and final inspection; where the project fails to undergo or pass the fire protection design review, it shall be prohibited from being put into use.

The recordation and random inspection system shall apply to the classified management of other construction projects. Any other construction project that fails to pass the random inspection conducted under the law shall cease to be used.

According to the Fire Prevention Law of the PRC (《中華人民共和國消防法》) promulgated by the SCNPC on April 29, 1998 and recently amended on April 29, 2021, Where a construction project that is subject to fire protection final inspection according to the law fails or is nonconforming as established by the fire protection final inspection, it shall be prohibited from being put into use; and any other construction project that is nonconforming as established by random inspection conducted under the law shall cease to be used.

Where any of the following conduct is committed in violation of any provision of this Law, the housing and urban-rural development authority and the fire and rescue department shall, in accordance with their respective powers, order cessation of construction or use, or suspension of production or business, and impose a fine of not less than RMB30,000 nor more than RMB300,000:...a construction project that is subject to fire protection final inspection according to the law fails, or is nonconforming as established by the fire protection final inspection and is put into use without permission; any other construction project is nonconforming as established by random inspection conducted under the law upon final inspection and remains in use.

### The Fire Safety Inspection Before A Public Gathering Place Is Put Into Use or Opens For Business

According to the Fire Prevention Law of the PRC (《中華人民共和國消防法》) promulgated by the SCNPC on April 29, 1998 and recently amended on April 29, 2021, A public gathering place that has not obtained the permit from the fire and rescue department shall not be put into use or open for business.

When a public gathering place is put into use or opens for business without the permission of the fire and rescue department, or it is found upon inspection that the use or operations of the place is inconsistent with its undertaking, the housing and urban-rural development authority and the fire and rescue department shall, in accordance with their respective powers, order cessation of construction or use, or suspension of production or business, and impose a fine of not less than RMB30,000 nor more than RMB300,000.

## REGULATIONS RELATED TO ENVIRONMENTAL PROTECTION

### Environmental Protection Law

The Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) (the "Environmental Protection Law"), was promulgated and effective on December 26, 1989, and last amended with effect from January 1, 2015. The Environmental Protection Law has been formulated for the purpose of protecting and improving both the living and the ecological environment, preventing and controlling pollution and other public hazards and safeguarding people's health. According to the provisions of the Environmental Protection Law, in addition to other applicable laws and regulations of the PRC, the Ministry of Environmental Protection and its local counterparts are responsible for administering and supervising environmental protection matters. Pursuant to the Environmental Protection Law, construction projects that have environmental impact shall be subject to environmental impact assessment. Installations for the prevention and control of pollution in construction projects must be designed, built and commissioned together with the principal construction plan of the project. Such installations shall not be dismantled or left idle without authorization from the competent government agencies.

Consequences of violations of the Environmental Protection Law include warnings, fines, rectification within a time limit, forced shutdown, or criminal punishment.

### Laws on Environment Impact Assessment

Pursuant to the Law of the PRC on Environment Impact Assessment (《中華人民共和國環境影響評價法》) issued on October 28, 2002 and most recently amended on December 29, 2018, the State Council implemented an environmental impact assessment, or EIA, to classify construction projects according to the impact of the construction projects on the environment. Constructing entities shall prepare an environmental impact report, or an EIR, or an environmental impact statement, or an EIS, or fill out the EIR Form according to the following rules: (i) for projects with potentially serious environmental impacts, an EIR shall be prepared to provide a comprehensive assessment of their environmental impacts; (ii) for projects with potentially mild environmental impacts, an EIS shall be prepared to provide an analysis or specialized assessment of the environmental impacts; and (iii) for projects with very small environmental impacts, an EIA is not required but an EIR Form shall be completed. Unless otherwise stipulated by laws and regulations, construction enterprises that are required to compile environmental impact reports or environmental impact report forms shall accept the environmental protection facilities upon completion of the construction project. When the environmental protection facilities of a construction project pass the inspection and acceptance, the construction project can be formally put into production or use.

## REGULATIONS ON CYBER INFORMATION SECURITY, DATA SECURITY AND PRIVACY PROTECTION

### Cyber Information Security

The SCNPC promulgated the Decision of the SCNPC on Maintenance of Cyber Security (《全國人民代表大會常務委員會關於維護互聯網安全的決定》) on December 28, 2000 and amended the same on August 27, 2009, the Provisions on Technological Measures for Cyber Security Protection (《互聯網安全保護技術措施規定》) on December 13, 2005, which was effective on March 1, 2006, and the Decision of the SCNPC on Strengthening the Protection of Online Information (《全國人民代表大會常務委員會關於加強網絡信息保護的決定》) on December 28, 2012.

On November 7, 2016, the Cyber Security Law of the PRC (《中華人民共和國網絡安全法》) (the "**Cyber Security Law**") was promulgated by the SCNPC and became effective on June 1, 2017, which requires that a network operator (including, among others, internet information services providers) take technical measures and other necessary measures in accordance with applicable laws and regulations and the compulsory requirements of the national and industrial standards to ensure the secure and stable operation of the network, effectively cope with cyber security events, prevent criminal activities committed on the network, and protect the integrity, confidentiality and availability of network data. The Cyber Security Law emphasizes that any individuals and organizations that use networks must not endanger network security or use networks to engage in unlawful activities such as those endangering national security, economic order and social order or infringing the reputation, privacy, intellectual property rights and other lawful rights and interests of others. The Cyber Security Law reaffirms the basic principles and requirements specified in other existing laws and regulations on personal data protection, such as the requirements on the collection, use, processing, storage, and disclosure of personal data, and internet information services providers being required to take technical and other necessary measures to ensure the security of the personal information they have collected and prevent the personal information from being divulged, damaged, or lost. Furthermore, under the Cyber Security Law, network operators of critical information infrastructure (the "**CIIO**") generally shall, during their operations in the PRC, store the personal information and important data collected and produced within the territory of the PRC. Any violation of the provisions and requirements under the Cyber Security Law may subject a network operator to warnings, fines, confiscation of illegal gains, revocation of licenses, cancellation of filings, closedown of websites or even criminal liabilities.

On July 30, 2021, the State Council promulgated the Regulations for Safe Protection of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》) (the "**CII Regulations**") which came into effect on September 1, 2021. Pursuant to the CII Regulations, critical information infrastructure refers to important network infrastructure and information system in public telecommunications, information services, energy sources, transportation, water conservation, finance, public services, e-government affairs and national defense and other related technology industries, as well as others in which any destruction or data leakage will have severe impact on national security, the nation's welfare, the people's living and public interests. The CII Regulations provide for the specific requirements of CIIOs' responsibilities and obligations, which include, among others, that: (i) the CIIOs shall establish and improve the cyber security protection system and responsibility system, and ensure the input of manpower, financial and material resources; (ii) the CIIOs shall set up a special security management department, and review the security background of the person in charge of the special security management department and the personnel in key positions; (iii) the CIIOs shall guarantee the operation funds of the special security management department, allocate corresponding personnel, and have the personnel of the special security management department participate in the decision-making relating to cyber security and informatization; and (iv) the CIIOs shall give priority to purchasing the safe and reliable network products and services, and the procurement of network products and services that may affect national security shall be subject to security review in accordance with national cyber security regulations. The CII Regulations has also specified the penalties, such as fines, for the failure of CIIOs to fulfill their security protection responsibilities.

On December 8, 2022, the MIIT promulgated the Measures for the Administration of Data Security in the Field of Industry and Information Technology (Trial) (《工業和信息化領域數據安全管理辦法(試行)》), which came into effect on January 1, 2023. It applies to industrial enterprises, software and information technology service enterprises, and enterprises that have obtained a license to operate telecommunications services, which decide on their own the purpose and manner of processing in their data processing activities. Data processors in the field of industry and information technology shall take the responsibility for the security of data processing activities, implement hierarchical protection for various types of data, and where different levels of data are being processed at the same time and it is difficult to take separate protection measures, the protection shall be implemented in accordance with the requirements of the highest levels, to ensure that the data continues to be effectively protected and legally utilized. According to the Measures, the data in the industrial and information technology sector shall be divided in three grades: general data, important data, and core data. Meanwhile, the data processor shall file the catalog of its important and core data with the local industry regulatory authority for the record. Moreover, these Measures clarify the processing requirements during the data life cycle per the data division situation. In the case of any violation of the Measures, the data processors shall burden the relative responsibilities per such Measures and other relevant laws and administrative regulations.

On June 22, 2007, the Ministry of Public Security of the PRC, also known as MPS and the other three PRC governmental authorities jointly promulgated the Administrative Measures for the Hierarchical Protection of Information Security (《信息安全等級保護管理辦法》), which requires that entities operating and using information systems shall perform their obligations and duties of the hierarchical protection of information security in accordance with these Measures and the relevant standards. On January 8, 2011, the State Council released the Regulations of the People's Republic of China on the Security Protection of Computer Information System (《中華人民共和國計算機信息系統安全保護條例》). The security grading protection shall be exercised in respect of computer information systems.

For purposes of ensuring the security of the supply chain for critical information infrastructure and safeguarding national security, the Measures for Cyber Security Review (the "**Cybersecurity Review Measures**") (《網絡安全審查辦法》) was jointly issued by the CAC, the NDRC, the MIIT, the Ministry of Public Security (the "**MPS**"), the Ministry of State Security, the MOF, the MOFCOM, the PBOC, the SAMR, the National Radio and Television Administration, the CSRC, the National Administration of State Secrets Protection and the State Cryptography Administration on December 28, 2021 and took effect on February 15, 2022. The Cyber Security Review Measures specifies that the procurement of network products and services by a CIIO and the activities of data process carried out by a network platform operator that raise or may raise "national security" concerns shall be subject to strict cyber security review by the Cyber Security Review Office established by the CAC. Before such CIIO purchases internet products and services, it should assess the potential risk of national security that may be caused by the use of such products and services. If such use of products and services may give raise to national security concerns, it should apply for the cyber security review by the Cyber Security Review Office and a report of analysis of the potential effect on national security shall be submitted when the application is made. In addition, network platform operators that possess the personal data of at least one million users must apply for the cyber security review by the Cyber Security Review Office before "foreign" listing (國外上市). The Cyber Security Review Office may voluntarily conduct cyber security review if any network products and services, activities of data process or listing of companies overseas affects or may affect national security. Pursuant to the Cyber Security Review Measures, any violation shall be punished in accordance with the Cyber Security Law and the Data Security Law, the sanctions under which include, among others, government enforcement actions and investigations, fines, penalties, suspension of non-compliant operations. On December 24, 2024, the Company and the Company's PRC Legal Advisor have conducted a real-name telephone consultation and communication with the competent regulatory authority, the China Cybersecurity Review, Certification and Market Regulation Big Data Center (中國網絡安全審查認證和市場監管大數據中心, the "**CCRC**"), and CCRC has confirmed that a listing in Hong Kong does not fall within the scope of the term of "listing abroad (國外上市)" under the Cybersecurity Review Measures.

Given that (i) as of the Latest Practicable Date, we had not been notified by any competent governmental authorities as a CIIO; (ii) CCRC has confirmed that listing in Hong Kong does not constitute a listing abroad (國外上市); and (iii) as of the Latest Practicable Date, we had not received any notice that we are required to conduct a cybersecurity review or our data processing activity affects or may affect national security, and the interpretation of activities that "affect or may affect national security" under the current PRC laws and regulations requires further clarification from the competent authorities, therefore, as advised by our PRC Legal Advisor, we were of the view that we are not obliged to apply for a cybersecurity review pursuant to the Cybersecurity Review Measures with respect to our Proposed [**REDACTED**]. However, as further advised by our PRC Legal Advisor, the interpretation and implementation of these laws and regulations with respect to the cybersecurity review keep evolving, we cannot assure you that there will not be any additional regulatory requirements regarding the cybersecurity review relating to the new laws and regulations, and we are suggested by our PRC Legal Advisor that we should keep abreast of the applicable laws and regulations in this regard and implement all necessary measures in a timely manner to ensure compliance with the relevant laws and regulations.

On September 24, 2024, the Cyber Data Security Regulations (《網絡數據安全管理條例》) was promulgated by the State Council and came into effect on January 1, 2025. The Cyber Data Security Regulations reiterate the general regulations for data processing activities and rules of personal information protection, important data security protection, network data cross-border transfer management, and internet platform service providers' obligations. The Cyber Data Security Regulations do not include the content related to cybersecurity review standards for listing abroad and in Hong Kong in the Administration Governing the Cyber Data Security (Draft for Comments), published on November 14, 2021.

On July 7, 2022, the CAC promulgated the Measures for the Security Assessment of Cross-border Data Transmission (《數據出境安全評估辦法》), which came into effect on September 1, 2022. According to the Measures for the Security Assessment of Cross-border Data Transmission, a data processor shall apply for a data export security assessment when it provides personal information or important data collected and generated in the course of its business operation within the PRC to a recipient outside the PRC under any of the following circumstances: (i) transferring important data outside the PRC by a data processor; (ii) transferring personal information outside the PRC by a CIIO or a data processor that has processed personal information of more than one million individuals; (iii) transferring personal information outside the PRC by a data processor that has transferred personal information of more than 100,000 individuals or sensitive personal information of more than 10,000 individuals since January 1 of the previous year; and (iv) other circumstances under which a data export security assessment is required as prescribed by the national cyberspace administration. On March 22, 2024, the CAC issued the *Provisions on Promoting and Regulating Cross-border Flow of Data*, or the New Cross-border Data Flow Provisions, which took effect on the same day. The New Cross-border Data Flow Provisions state that if there is any conflict with the Measures for the Security Assessment of Cross-border Data Transmission, the New Cross-border Data Flow Provisions shall prevail. The New Cross-border Data Flow Provisions set out scenarios under which certain obligations for the cross-border data transfer are waived, which include, among others, passing the security assessment of cross-border data transfer, concluding a standard contract for the cross-border transfer of personal information or passing the personal information protection certification.

**Geographical Information Data Security**

On March 22, 2024, the Ministry of Nature Resources (the "**MNR**") promulgated the Measures for the Administration of Data Security in the Field of Nature Resources (《自然資源領域數據安全管理辦法》), which came into effect on the same date. The nature resource data referred to in such Measures includes data collected and generated in the course of natural resources activities, mainly including geographic information data such as basic geographic information and remote sensing images, survey and monitoring data on natural resources such as land, minerals, forests, grasslands, water, wetlands, sea areas and islands. According to the legal requirements of such Measures, the nature resource data shall be divided in three grades: general data, important data, and core data. Meanwhile, the data processor shall file the catalog of its important and core data with the local industry regulatory authority for the record. Moreover, these Measures clarify the processing requirements during the data life cycle per the data division situation. In the case of any violation of the Measures, the data processors shall burden the relative responsibilities per such Measures and other relevant laws and administrative regulations.

Under the Surveying and Mapping Law (《測繪法》) promulgated by the SCNPC on April 27, 2017 and effective on July 1, 2017, results of any surveying or mapping activities must be submitted to the government, which will publish a catalogue of surveying and mapping results received. Pursuant to the Regulations on the Administration of Surveying and Mapping Results (《測繪成果管理條例》, the "**Surveying and Mapping Results Regulations**") promulgated by the State Council on May 27, 2006, which takes effect on September 1, 2006, the Surveying and mapping results are divided into basic surveying and mapping results and non-basic surveying and mapping projects, and the basic surveying and mapping results shall be summarized and submitted in the form of a duplicate copy, while the non-basic surveying and mapping result shall be summarized and submitted in the form of a catalogue. The basic surveying and mapping results include, among others, the data and images obtained through basic aerial photographing and remote sensing data of basic geographic information obtained by remote sensing satellites and other aerospace crafts during earth observation. Where any entity needs to use the basic surveying and mapping results which are State secrets, such entity shall clearly state the purpose for using the said results and the scope of use, and report the matter for examination and approval to the competent administrative department of surveying and mapping. Whether any surveying and mapping results constitute the State Secrets shall be determined in accordance with the Administrative Provisions on the Scope of State Secrets in Surveying and Mapping Geographic Information (《測繪地理信息管理工作國家秘密範圍的規定》 published by the MNR and the National Administration of State Secrets Protection, which came into effect since July 1, 2020.

The Notice on Promulgation of the Administrative Provisions on Public Use of Remote Sensing Images (for Trial Implementation) (《遙感影像公開使用管理規定(試行)》) promulgated and effective on November 29, 2011 regulates the public publication, publishing, display, introduction, sales or dissemination and other means of public use of the remote sensing images. In accordance with the Notice, the remote sensing images include the satellite remote sensing images, the aerial remote sensing images and the remote sensing image maps processed and produced using remote sensing technologies for surveying and mapping. Pursuant to the Notice and the Present Specification of the Public Use of the Maps (《公開地圖內容表示規範》) announced by the MNR on February 6, 2023, which came into effect on the same date, with respect to any remote sensing image for public use, the spatial position precision of such image shall not be higher than 50 meters, the ground resolution of such image shall not be more than 0.5 meters, and such images shall not mark classified information or camouflage or process any image of the buildings, structures or other fixed facilities.

**Privacy Protection**

On May 28, 2020, the National People's Congress promulgated the Civil Code, which came into effect on January 1, 2021. According to the Civil Code, the personal information of natural persons is protected by law. Any entity or individual who needs to obtain personal information of any other individual shall obtain such information legally and ensure the security of such information, and shall not unlawfully collect, use, process, or transmit the personal information of any other individual or unlawfully purchase, sell, provide, or disclose to the public the personal information of any other individual.

On August 20, 2021, the Law of the People's Republic of China on the Protection of Personal Information (《中華人民共和國個人信息保護法》) (the "**Personal Information Protection Law**") was promulgated by the SCNPC and came into effect on November 1, 2021. The Personal Information Protection Law, consolidates separate provisions on personal information rights and privacy protection. The Personal Information Protection Law aims to protect the personal information rights and interests, regulate the handling of personal information, safeguard the free flow of personal information in an orderly manner in accordance with the law, and promote the rational use of personal information. Personal information, as defined in the Personal Information Protection Law, refers to all kinds of information related to an identified or identifiable natural person recorded electronically or by other means, excluding the information that has been anonymized. The Personal Information Protection Law stipulates the circumstances in which a processor of personal information may process personal information, including, but not limited to, when the consent of the individual concerned has been obtained and when it is necessary for the conclusion or performance of a contract to which the individual is a party. It has also set out a number of specific rules on the obligations of processors of personal information, such as informing individuals of the purpose and method of processing, and the obligations of third parties who obtain personal information through co-processing or entrustment. Processors shall also conduct personal information protection impact assessment in advance when processing sensitive personal information, using personal information to conduct automated decision-making, entrusting personal information processing, providing personal information to other personal information processors, or disclosing personal information, providing personal information abroad, and conducting other personal information handling activities with a major influence on individuals. Personal information processors who violate the provisions and requirements of the Personal Information Protection Law may be subject to correction, warning, fines, suspension of related business, revocation of licenses, entry into credit files, or even criminal liability.

## LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTY

### Trademark Law

The Trademark Law of the PRC (《中華人民共和國商標法》) (the "**Trademark Law**") and the Regulation on the Implementation of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》) govern trademark registration, protection, and usage in China. Enacted on August 23, 1982, and last amended on April 23, 2019, the Trademark Law, effective from November 1, 2019, follows the "first-to-file" principle. It grants exclusive rights to trademark registrants, administered by the Trademark Office of the NIPA.

Registered trademarks are valid for ten years, renewable in ten-year increments. Renewal procedures must be completed within twelve months before expiry, with a possible six-month extension. The Trademark Office announces trademarks eligible for renewal. Trademark registrants can authorize others via licensing contracts, but licensing details must be filed with the Trademark Office. Failure to file won't affect bona fide third parties. Quality supervision is the licensor's responsibility, and licensees must maintain product quality when using the registered trademark.

### Patent Law

The Patent Law of the PRC (《中華人民共和國專利法》) (the "**Patent Law**") and the Implementation Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》) govern patent activities in China. Enacted on March 12, 1984, and last amended on October 17, 2020, the Patent Law became effective on June 1, 2021. The Patent Office of the NIPA oversees national patent work. Provincial, autonomous region, or municipal patent administration departments handle local jurisdictions.

The Patent Law and its Implementation Rules recognize three patent types: "invention," "utility model," and "design." Invention patents cover new technical solutions for products, methods, or their improvements. Utility model patents apply to practical technical solutions for product shapes, structures, or combinations. Design patents protect new aesthetic designs for products, including shape, pattern, and color combinations. Invention patents are valid for twenty years, design patents for fifteen years, and utility model patents for ten years from the application date.

China follows the "first to file" principle, granting patents to the earliest applicant for the same invention. Patentable inventions or utility models must be novel, inventive, and practical. Patent holders' rights are legally protected, allowing others to use the patent only with proper authorization. Unauthorized use constitutes patent infringement unless specified by law.

**Copyright Law**

Pursuant to the Copyright Law of the People's Republic of China (《中華人民共和國著作權法》) promulgated by the SCNPC on September 7, 1990 and most recently amended on November 11, 2020 and effective from June 1, 2021, Chinese citizens, legal persons or unincorporated organizations shall, whether published or not, enjoy copyright in their works in accordance with the law. Unless otherwise provided in the Copyright Law of the People's Republic of China and other related system and laws and regulations, reproducing, distributing, performing, projecting, broadcasting or compiling a work or communicating the same to the public via an information network without permission from the owner of the copyright therein, shall constitute infringements of copyrights. The infringer shall, according to the circumstances of the case, undertake to cease the infringement, eliminate impact, and offer an apology, pay damages and other civil liabilities. In exercising the rights, copyright owners and copyright related rights holders shall not be in violation to the Constitution and laws nor prejudice to public interests. According to the Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) issued by the Ministry of Machine Building and Electronics Industry (currently incorporated into the Ministry of Industry and Information Technology) on April 6, 1992 and most recently amended by the National Copyright Administration on February 20, 2002 and effective from the same date, and the Regulations on Protection of Computer Software (《計算機軟件保護條例》) promulgated by the State Council on June 4, 1991 and most recently amended on January 30, 2013 and effective from March 1, 2013, the State Copyright Administration shall be responsible for the administration of software copyright registration nationwide, and the China Copyright Protection Center is recognized as the software registration authority. Applicants of computer software copyright satisfying the requirements of the Measures for the Registration of Computer Software Copyright and the Regulations on Protection of Computer Software will issued a registration certificate by the China Copyright Protection Center.

**Domain Names**

Pursuant to the Measures for the Administration of Internet Domain Names (《互聯網域名管理辦法》) promulgated by the Ministry of Industry and Information Technology on August 24, 2017 and effective from November 1, 2017, the Ministry of Industry and Information Technology supervises and administers domain services nationwide. The principle of "first come, first serve" is followed for the domain name registration service. Applicants of domain name registration shall provide the domain name registration authority with true, accurate and complete information about the identity of the domain name holder for registration purpose, and sign a registration agreement with it. After completing the domain name registration, the applicant becomes the holder of the domain name registered by him/it.

## REGULATIONS RELATING TO PROPERTY LEASING

Pursuant to the Law on Administration of Urban Real Estate of the PRC (《中華人民共和國城市房地產管理法》), which was promulgated by the SCNPC on July 5, 1994 and was latest amended on August 26, 2019, and the Management Measures for the Lease of Commercial Housing (《商品房屋租賃管理辦法》) promulgated by the Ministry of Housing and Urban-Rural Development on December 1, 2010, and effective on February 1, 2011, the parties to a housing lease shall enter into a lease contract in accordance with the law. Within 30 days after the conclusion of the housing lease contract, the parties to the lease shall go to the competent department of construction (real estate) of the people's government of the municipality, city or county where the leased housing is located to register and file the housing lease. In violation of the foregoing provisions, the competent construction (real estate) departments of the people's governments of the municipalities directly under the central government, cities and counties shall order rectification within a time limit. If rectification is not made by an individual within the time limit, a fine of less than RMB1,000 shall be imposed. If rectification is not made by an entity within the time limit, a fine of more than RMB1,000 but less than RMB10,000 shall be imposed. According to the Civil Code, The parties' failure to register the lease contract in accordance with the provisions of laws and administrative regulations does not affect the validity of the contract.

## LAWS AND REGULATIONS ON LABOR AND SOCIAL SECURITY

### Labor Law and Labor Contract Law

According to the Labor Law of the PRC (《中華人民共和國勞動法》) promulgated on July 5, 1994 and amended on August 27, 2009 and December 29, 2018, enterprises shall establish and improve their system of work place safety and sanitation, strictly abide by state rules and standards on work place safety, and conduct employees training on labor safety and sanitation in the PRC. Labor safety and sanitation facilities shall comply with statutory standards. Enterprises and institutions shall provide employees with a safe work place and sanitation conditions which are in compliance with applicable laws and regulations of labor protection.

The Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) promulgated on June 29, 2007 and amended on December 28, 2012, and the Implementation Rules of the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) promulgated on September 18, 2008 set out specific provisions in relation to the execution, the terms and the termination of a labor contract and the rights and obligations of the employees and employers, respectively. At the time of hiring, the employers shall truthfully inform the employees the scope of work, working conditions, working place, occupational hazards, work safety, salary and other matters which the employees request to be informed about.

### Social Insurance and Housing Provident Fund

Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) which was promulgated on October 28, 2010 and with effect from July 1, 2011 and latest amended on December 29, 2018, and the Interim Regulations on the Collection of Social Insurance Fees (《社會保險費徵繳暫行條例》) issued by the State Council on January 22, 1999 and last amended on March 24, 2019, employees shall participate in basic pension insurance, basic medical insurance and unemployment insurance. Basic pension, medical and unemployment insurance contributions shall be paid by both employers and employees. Employees shall also participate in work-related injury insurance and maternity insurance. Work-related injury insurance and maternity insurance contributions shall be paid by employers rather than employees. Pursuant to the Notice of the General Office of the State Council on Issuing the Plan for the Pilot Program of Combined Implementation of Maternity Insurance and Basic Medical Insurance for Employees (《國務院辦公廳關於印發<生育保險和職工基本醫療保險合併實施試點方案>的通知》) and Opinions of the General Office of the State Council on Comprehensively Promoting the Implementation of the Combination of Maternity Insurance and Basic Medical Insurance for Employees (《國務院辦公廳關於全面推進生育保險和職工基本醫療保險合併實施的意見》) promulgated on January 19, 2017 and March 6, 2019, the maternity insurance and basic medical insurance for employees shall be consolidated. According to the Social Insurance Law of PRC, employers must carry out social insurance registration at the local social insurance agency, provide social insurance and pay or withhold the relevant social insurance premiums for or on behalf of employees. For employers failing to conduct social insurance registration, the administrative department of social insurance shall order them to make corrections within a prescribed time limit; if they fail to do so within the time limit, employers shall have to pay a penalty over one time but no more than three times of the amount of the social insurance premium payable by them. Where an employer fails to pay social insurance premiums in full or on time, the social insurance premium collection agency shall order it to pay or make up the balance within a prescribed time limit, and shall impose a daily late fee at the rate of 0.05% of the outstanding amount from the due date; if still failing to pay within the time limit prescribed, a fine of one time to three times the amount in default will be imposed on them by the competent administrative department.

According to the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》) promulgated on April 3, 1999 and amended on March 24, 2002 and March 24, 2019, employers shall timely pay the housing provident fund in full and overdue or insufficient payment shall be prohibited. Employers shall process the housing fund payment and deposit registration in the housing provident fund administrative center. For enterprises who violate the above laws and regulations and fail to apply for housing provident fund deposit registration or open housing provident fund accounts for their employees, the housing provident fund administrative center shall order the relevant enterprises to make corrections within a designated period. Those enterprises failing to process registration of provident fund accounts for their employees within the designated period shall be subject to a fine ranging from RMB10,000 to RMB50,000. When enterprises violate those provisions and fail to pay the housing provident fund in full amount as due, the housing provident fund administrative center will order such enterprises to pay up the amount within a prescribed period; if those enterprises still fail to comply with the regulations upon the expiration of the above-mentioned time limit, further application will be made to the People's Court for mandatory enforcement.

## LAWS AND REGULATIONS IN THE PRC RELATING TO TAX

### Income Tax Law

According to the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) promulgated by the National People's Congress on March 16, 2007, and most recently amended on December 29, 2018 and effective from the same date and the Enterprise Income Tax Implementation Regulations (《中華人民共和國企業所得稅法實施條例》) promulgated by the State Council on December 6, 2007, and most recently amended on December 6, 2024 and effective from the same date, enterprises are divided into resident enterprises and non-resident enterprises. Resident enterprises are enterprises which are set up in China in accordance with law, or which are set up in accordance with the law of a foreign country (region) but which are actually under the administration of institutions in China. Non-resident enterprises are enterprises which are set up in accordance with the law of a foreign country (region) and whose actual administrative institution is not in China, but which have institutions or establishments in China, or which have no such institutions or establishments but have income generated from inside China. Resident enterprises are subject to a uniform 25% enterprise income tax rate on their worldwide income. The enterprise income tax rate is reduced by 20% for qualifying small low-profit enterprises. The high-tech enterprises that need full support from the PRC's government will enjoy a 15% tax rate reduction for Enterprise Income Tax.

### Income Tax Relating to Dividend Distribution

Pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) and relevant protocols, which were promulgated by the State Taxation Administration of The People's Republic of China ("STA") on August 21, 2006, came into effect on December 8, 2006, the withholding tax rate 5% applies to dividends paid by a PRC company to a Hong Kong company if such Hong Kong company directly holds at least 25% of the equity interests in a PRC company, otherwise the 10% withholding tax rate applies.

Pursuant to the Circular of STA on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》), which was promulgated by the STA and became effective on February 20, 2009, all of the following requirements shall be satisfied where a fiscal resident of the other party to a tax agreement needs to be entitled to such tax agreement treatment as being taxed at a tax rate specified in the tax agreement for the dividends paid to it by a Chinese resident company: (i) such a fiscal resident who obtains dividends should be a company as provided in the tax agreement; (ii) owner's equity interests and voting shares of the Chinese resident company directly owned by such a fiscal resident reaches a specified percentage; and (iii) the equity interests of the Chinese resident company directly owned by such a fiscal resident, at any time during the twelve months prior to the obtainment of the dividends, reach a percentage specified in the tax agreement.

Pursuant to the Administrative Measures on Entitlement of Non-resident Taxpayers to Preferential Treatment under Tax Treaties (《非居民納稅人享受協定待遇管理辦法》), which was promulgated by the STA on October 14, 2019, came into effect on January 1, 2020, nonresident taxpayers are entitled to preferential treatment under tax treaties through self-determination, self declaration and keeping and documenting relevant information for inspection. Where a non-resident taxpayer self-assesses and concludes that it satisfies the criteria for claiming treaty benefits, it may enjoy treaty benefits at the time of tax declaration or at the time of withholding through a withholding agent, simultaneously gather and retain the relevant materials pursuant to the regulations for future inspection, and subject to subsequent administration by tax authorities.

**Value-added Tax**

Pursuant to the Provisional Regulations on Value-added Tax of the People's Republic of China (《中華人民共和國增值稅暫行條例》), which was promulgated by the State Council on December 13, 1993 and most recently amended on November 19, 2017 effective from the same date, and the Detailed Rules for the Implementation of the Interim Regulations of the People's Republic of China on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》) which was promulgated by the MOF on December 25, 1993 and most recently amended on October 28, 2011, and effective from November 1, 2011, all entities or individuals in the PRC engaged in the sale of goods, processing services, repair and replacement services, and the provision of services, sales of intangible assets, real estate and importation of goods are required to pay value-added tax (VAT). Unless otherwise provided, taxpayers engaged in provision of services and sales of intangible assets are subject to a tax rate of 6%.

According to the Notice on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner (Caishui [2016] No. 36) (《關於全面推開營業稅改徵增值稅試點的通知》(財稅[2016]第36號)》) promulgated by the MOF and the State Administration of Taxation promulgated on March 23, 2016 and effective from May 1, 2016, and amended on July 11, 2017 and March 20, 2019, with the approval of the State Council, as of May 1, 2016, the pilot program of replacing business tax with VAT shall be implemented across the country, all business tax taxpayers in the construction industry, the real estate industry, the financial industry, and the living service industry shall be included in the scope of the pilot program, and the payment of business tax shall be replaced by the payment of VAT. According to the Circular on Policies for Simplifying and Consolidating Value-added Tax Rates (Cai Shui [2017] No. 37(《關於簡併增值稅稅率有關政策的通知》(財稅[2017]37號)), announced by the MOF and the State Administration of Taxation on April 28, 2017, and effective from July 1, 2017, the structure of value-added tax rates will be simplified from July 1, 2017, and the 13% VAT rate will be canceled. The scope of goods with 11% tax rate and the provisions for deducting input tax are specified.

According to the Circular on Adjusting Value-added Tax Rates of MOF and the State Administration of Taxation (Cai Shui [2018] No. 32) (《財政部、稅務總局關於調整增值稅稅率的通知》(財稅[2018]32號)) announced by the MOF and the State Administration of Taxation on April 4, 2018 and effective on May 1, 2018, from May 1, 2018, where a taxpayer engages in a taxable sales activity for the value-added tax purpose or imports goods, the previous applicable 17% and 11% tax rates are adjusted to be 16% and 10% respectively.

According to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform of the MOF, the State Taxation Administration and the General Administration of Customs (《財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告》) ("Announcement of the MOF of the PRC, the State Taxation Administration and the General Administration of Customs of the PRC [2019] No. 39") announced by the MOF, the State Taxation Administration, and the General Administration of Customs on March 20, 2019 and effective from April 1, 2019, with respect to VAT taxable sales or imported goods of a VAT general taxpayer, the originally applicable VAT rate of 16% shall be adjusted to 13%; the originally applicable VAT rate of 10% shall be adjusted to 9%.

## REGULATIONS IN RELATION TO FOREIGN INVESTMENT

On March 15, 2019, the National People's Congress approved the Foreign Investment Law of the People's Republic of China (《中華人民共和國外商投資法》), and on December 26, 2019, the State Council promulgated the Implementing Rules of the Foreign Investment Law (《中華人民共和國外商投資法實施條例》) (the "Implementing Rules"), to further clarify and elaborate the relevant provisions of the Foreign Investment Law. The Foreign Investment Law and the Implementing Rules both took effect on January 1, 2020 and replaced three previous major laws on foreign investments in China, namely, the Sino-foreign Equity Joint Venture Law, the Sino-foreign Cooperative Joint Venture Law and the Wholly Foreign-owned Enterprise Law, together with their respective implementing rules. Pursuant to the Foreign Investment Law, "foreign investments" refer to investment activities conducted by foreign investors (including foreign natural persons, foreign enterprises or other foreign organizations) directly or indirectly in the PRC, which include any of the following circumstances: (i) foreign investors setting up foreign-invested enterprises in the PRC solely or jointly with other investors; (ii) foreign investors obtaining shares, equity interests, property portions or other similar rights and interests of enterprises within the PRC; (iii) foreign investors investing in new projects in the PRC solely or jointly with other investors; and (iv) investment of other methods as specified in laws, administrative regulations, or as stipulated by the State Council. The Implementing Rules introduce a see-through principle and further provide that foreign-invested enterprises that invest in the PRC shall also be governed by the Foreign Investment Law and the Implementing Rules.

On October 26, 2022, the MOFCOM and the National Development and the NDRC, released the Catalog of Industries for Encouraging Foreign Investment (2020 Version) (《鼓勵外商投資產業目錄(2022年版)》) (the "Encouraging Catalog") which became effective on January 1, 2023, to replace the previous encouraging catalog. The Special Administrative Measure (Negative List) for the Access of Foreign Investment (2024 Version) (《外商投資准入特別管理措施(負面清單)(2024年版)》) (the "**Negative List**") was promulgated by the NDRC and the MOFCOM on September 6, 2024 and became effective on November 1, 2024. The Negative List enumerates ownership requirements, requirements for senior executives, and other special management measures in the aspect of the access of foreign investment for the industries that falls within the Negative List. Any field not on the Negative List shall be administered under the principle of equal treatment to domestic and foreign investment.

On December 30, 2019, the MOFCOM and the SAMR jointly issued the Measures for Reporting of Foreign Investment Information (《外商投資信息報告辦法》) (the "Foreign Investment Information Measures"), which came into effect on January 1, 2020. Beginning on January 1, 2020, when foreign investors carry out investment activities directly or indirectly in China, foreign investors or foreign-invested enterprises shall submit investment information through the Enterprise Registration System and the National Enterprise Credit Information Publicity System operated by the SAMR. Specifically, foreign investors or foreign-invested enterprises shall report their establishments, modifications and cancellations and file their annual reports in accordance with the Foreign Investment Information Measures. When a foreign-invested enterprise has completed filing of such reports, the relevant information will be passed by the competent market regulation department to the competent commercial department, so the reports do not need to be submitted separately.

## LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE

The principal regulation governing foreign currency exchange in China is the Foreign Exchange Administration Regulations of the PRC (《中華人民共和國外匯管理條例》) which was promulgated by the State Council on January 29, 1996 and was latest amended on August 5, 2008. Pursuant to this regulation and other PRC rules and regulations on currency conversion, Renminbi is freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as direct investment, loan or investment in securities outside China unless prior approval of the State Administration of Foreign Exchange (SAFE) or its local counterpart is obtained.

According to the Notice on Relevant Issue Concerning the Administration of Foreign Exchange for Overseas Listing (《關於境外上市外匯管理有關問題的通知》) issued by the SAFE on December 26, 2014, the domestic companies shall register the overseas listing with the foreign exchange control bureau located at its registered address in 15 working days after completion of the overseas listing and issuance. The funds raised by the domestic companies through overseas listing may be repatriated to China or deposited overseas, provided that the intended use of the fund shall be consistent with the contents of the document and other public disclosure documents.

On February 13, 2015, SAFE promulgated the Notice on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《關於進一步簡化和改進直接投資外匯管理政策的通知》), according to which, entities and individuals may apply for such foreign exchange registrations from qualified banks. The qualified banks, under the supervision of SAFE, may directly review the applications and conduct the registration. On March 30, 2015, SAFE promulgated the Circular on Reforming the Management Approach regarding the Settlement of Foreign Capital of Foreign-invested Enterprise (《關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the "SAFE Circular 19"). According to the SAFE Circular 19, the foreign exchange capital of foreign-invested enterprises shall be subject to the Discretionary Foreign Exchange Settlement, which means that the foreign exchange capital in the capital account of a foreign invested enterprise for which the rights and interests of monetary contribution have been confirmed by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operational needs of the foreign-invested enterprise, and if a foreign-invested enterprise needs to make further payment from such account, it still needs to provide supporting documents and proceed with the review process with the banks. Furthermore, the SAFE Circular 19 stipulates that the use of capital by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises. The capital of a foreign-invested enterprise and capital in Renminbi obtained by the foreign-invested enterprise from foreign exchange settlement shall not be used for the following purposes: (i) directly or indirectly used for payments beyond the business scope of the enterprises or payments as prohibited by relevant laws and regulations; (ii) directly or indirectly used for investment in securities unless otherwise provided by the relevant laws and regulations; (iii) directly or indirectly used for granting entrust loans in Renminbi (unless permitted by the scope of business), repaying inter enterprise borrowings (including advances by the third-party) or repaying the bank loans in Renminbi that have been sub-lent to third parties; or (iv) directly or indirectly used for expenses related to the purchase of real estate that is not for self-use (except for the foreign-invested real estate enterprises).

The Notice on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《關於進一步簡化和改進直接投資外匯管理政策的通知》), (the "SAFE Circular 13"), which became effective on June 1, 2015 and was amended on December 30, 2019, cancels the administrative approvals of foreign exchange registration of direct domestic investment and direct overseas investment and simplifies the procedure of foreign exchange-related registration. Pursuant to SAFE Circular 13, investors should register with banks for direct domestic investment and direct overseas investment.

The Circular on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (《關於改革和規範資本專案結匯管理政策的通知》) (the "SAFE Circular 16"), was promulgated by SAFE on June 9, 2016. Pursuant to the SAFE Circular 16, enterprises registered in the PRC may also convert their foreign debts from foreign currency to Renminbi on a self-discretionary basis. The SAFE Circular 16 reiterates the principle that Renminbi converted from foreign currency-denominated capital of a company may not be directly or indirectly used for purposes beyond its business scope or prohibited by PRC Laws, while such converted Renminbi shall not be provided as loans to its non-affiliated entities.

On January 26, 2017, SAFE promulgated the Circular on Further Improving Reform of Foreign Exchange Administration and Optimizing Genuineness and Compliance Verification (《關於進一步推進外匯管理改革完善真實合規性審核的通知》), which stipulates several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities, including: (i) banks should check board resolutions regarding profit distribution, the original version of tax filing records, and audited financial statements pursuant to the principle of genuine transactions; and (ii) domestic entities should hold income to account for previous years' losses before remitting the profits. Moreover, pursuant to this circular, domestic entities should make detailed explanations of the sources of capital and utilization arrangements, and provide board resolutions, contracts, and other proof when completing the registration procedures in connection with an outbound investment.

According to the Circular of the State Administration for Foreign Exchange on Optimizing Foreign Exchange Administration to Support the Development of Foreign-related Business (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》) promulgated with effect from April 10, 2020 by the SAFE, the reform of facilitating the payments of incomes under the capital accounts shall be promoted nationwide. Under the prerequisite of ensuring true and compliant use of funds and compliance and complying with the prevailing administrative provisions on use of income from capital projects, enterprises which satisfy the criteria are allowed to use income under the capital account, such as capital funds, foreign debt and overseas listing, etc., for domestic payment, without the need to provide proof materials for veracity to the bank beforehand for each transaction.

## OVERVIEW

With the dedication to the development of AI payloads, AI application satellites and AI computing satellites in China, Dr. Lu founded our Company, a limited liability company under the laws of the PRC, in May 2018. Since then, we have successfully secured multiple rounds of financing for the development and operation of our business. See "— Pre-[**REDACTED**] Investments." In January 2022, our Company was converted into a joint stock company with limited liability in accordance with the laws of the PRC. Prior to our establishment, Dr. Lu accumulated extensive experience in scientific research and management at the University of Electronic Science and Technology of China (電子科技大學) from 2006 to 2021. For detailed biography of Dr. Lu, see "Directors, Supervisor and Senior Management."

Under the leadership of Dr. Lu, a visionary leader with a strong academic and research background, we are committed to developing commercial satellite constellations to build an integrated space—ground AI infrastructure, aiming to provide globally stable and sustainable satellite-based solutions and satellite-based computing services that are widely accessible, cost-effective and user-friendly. According to Frost & Sullivan, we are a leader in China in introducing the development roadmap for AI satellite technology, which encompasses both AI application satellites and AI computing satellites, and ranked second among all China's private commercial aerospace companies that manage the full satellite industry value chain in terms of revenue in 2023.

Our historical developments and future directions can be summarized in three stages, namely, Stage I (our inception to 2022), Stage II (2023 to 2027) and Stage III (2028 onwards). Our success in Stage I enabled us to collect substantial satellite remote sensing data. In Stage II, we are now expediting the transition from AI application satellites to AI computing satellites. In Stage III, we expect to complete and operationalize a globally integrated space—ground AI infrastructure. We believe that this roadmap will guide us to achieve our vision to build an integrated space—ground AI infrastructure. See "Business — Overview — Our vision."

## OUR DEVELOPMENT MILESTONES

The following is a summary of our key development milestones:

| Year | Month | Milestone |
|---|---|---|
| 2018 . . . . . | May | Our Company was established. |
| | December | We successfully launched our first AI application satellite. |

| Year | Month | Milestone |
|---|---|---|
| 2019 . . . . . | December | We were selected by the MIIT as a key initiative in new generation AI industrial innovation (新一代人工智能產業創新重點任務揭榜單位). |
| 2021 . . . . . | March | We were awarded the First Phase AI Industrial Innovation Award (第一期人工智能產業創新揭榜優勝單位) by the MIIT. |
| | July | We were recognized as a National Key Specialized and Innovative "Little Giant" Enterprise (國家級重點專精特新小巨人企業) by the MIIT. |
| 2022 . . . . . | November | We officially introduced Lingjing Engine (靈境引擎), an advanced ground-based infrastructure designed for cost-effective and efficient remote sensing data analysis and 3D modeling.(1) |
| 2023 . . . . . | | Our annual operating income surpassed RMB500 million for the first time since our establishment. |
| 2024 . . . . . | February | We successfully launched our first AI computing satellite.(2) |
| | October | We successfully completed the world's first technical validation of a large-scale AI model operating in-orbit on satellites (衛星在軌運行AI大模型的技術驗證). |
| | November | We published our Star-Compute Project (星算計劃).(3) |

*Notes:*

(1) See "Business — Our Strengths — Advanced Lingjing Engine Enabling 3D Transformation of Satellite Remote Sensing Data."

(2) See "Business — Our Products and Solutions — Satellite and Related Services."

(3) See "Business — Overview — Our Achievements."

## OUR MAJOR SUBSIDIARY

During the Track Record Period, the following subsidiary made a material contribution to our results of operation and financial position:

| Name of subsidiary | Date of establishment | Place of establishment | Percentage of equity interest held by our Group | Principal business activities |
|---|---|---|---|---|
| Chengdu Xingshidai . . . | June 29, 2018 | PRC | 100% | Satellite production and satellite-based solutions |

## MAJOR CHANGES IN OUR COMPANY'S REGISTERED CAPITAL AND SHAREHOLDING STRUCTURE

### A. Establishment of our Company in May 2018

Our Company was established in the PRC as a limited liability company on May 3, 2018 with an initial registered capital of RMB1 million, which was held as to 70.0% and 30.0% by Beijing Xingrong Yuhang and Beijing New Era Space, respectively. Beijing Xingrong Yuhang and Beijing New Era Space were limited partnerships established in the PRC with Dr. Lu being the sole general partner of Beijing Xingrong Yuhang and Beijing New Era Space, and holding 40.87% and 23.09% partnership interest in Beijing Xingrong Yuhang and Beijing New Era Space, respectively, as of the Latest Practicable Date. For further details of Beijing Xingrong Yuhang and Beijing New Era Space, see "— Employee Ownership Platforms."

### B. Pre-[REDACTED] Investments from May 2018 to December 2024

#### *(a) Series Angel Financing*

We completed our series angel financing in January 2019 through subscription by our Pre-[**REDACTED**] Investors, Chengdu Electric Technology and Shenzhen Capital Group, of an increased registered capital of RMB357,143 at a consideration of RMB25 million.

#### *(b) Series Pre-A financing and Series Pre-A2 financing*

We completed our series pre-A financing in April 2019 through subscription by our Pre-[**REDACTED**] Investors, Guangdong Wanquan Investment, Ouzhuo Enterprise, Hongyu No. I Enterprise and CTG, of an increased registered capital of RMB176,428 at a consideration of RMB26.0 million.

We completed our series pre-A2 financing in May 2019 through subscription by our Pre-[**REDACTED**] Investor, Hexing No. II Investment, of an increased registered capital of RMB65,725 at a consideration of RMB15.0 million.

***(c) Equity transfers in August 2019 and October 2019***

Pursuant to an equity transfer agreement dated August 12, 2019, Chengdu Electric Technology transferred RMB79,964 of the registered capital of the Company, representing 5.0% of the then equity interest, to Huizhou Yilin Investment at a consideration of RMB25.0 million. The equity transfer was completed on August 26, 2019. See "— Pre-[**REDACTED**] Investments — Information about the major Pre-[**REDACTED**] Investors — 5. Huizhou Yilin Investment" for details of Huizhou Yilin Investment.

Pursuant to an equity transfer agreement dated October 18, 2019, Chengdu Electric Technology transferred RMB205,750 of the registered capital of the Company, representing 12.87% of the then equity interest, to Galaxy Industry Group at a consideration of RMB64.35 million. Upon completion of the equity transfer on October 28, 2019, Chengdu Electric Technology ceased to hold any interest in the Company. See "— Pre-[**REDACTED**] Investments — Information about the major Pre-[**REDACTED**] Investors — 1. Galaxy Industry Group" for details of Galaxy Industry Group.

To the best knowledge of the Company, the considerations in respect of such equity transfers were determined after arm's length negotiations between the parties, with reference to the value of the registered capital of the Company and the status and prospect of our business at the time of the relevant transactions.

***(d) Series A+ financing***

We completed our series A+ financing in September 2020 through subscription by our Pre-[**REDACTED**] Investors, Guang Xin Development, Galaxy Industry Group, New World Strategy (Beijing) Investment Consulting Co., Ltd. (新世界策略(北京)投資顧問有限公司) ("**New World Strategy**"), Kangjian Agricultural, Xinjiang Communications Construction, Shenzhen Capital Group and Hongtai Kuyu, of an increased registered capital of RMB275,879 at a consideration of RMB138.0 million.

***(e) Equity transfer in December 2020***

Pursuant to an equity transfer agreement dated December 21, 2020, New World Strategy transferred RMB9,996 of the registered capital of the Company, representing 0.53% of the then equity interest, to Linzhi Zhengyuan at a consideration of RMB5.0 million. Upon completion of the equity transfer on December 24, 2020, New World Strategy ceased to hold any interest in the Company. Linzhi Zhengyuan is a limited liability company established in the PRC on August 3, 2009, and, as of the Latest Practicable Date, was held as to 100% by Beijing Zhengyuan Strategic Investment Co., Ltd (北京正源策略投資有限公司), which was ultimately owned as to 50% by two individuals. To the best knowledge of the Company, the consideration in respect of such equity transfer was determined after arm's length negotiations between the parties, with reference to the value of the registered capital of the Company and the status and prospect of our business at the time of the relevant transaction.

***(f) Series A++ financing***

We completed our series A++ financing in March 2021 through subscription by our Pre-[**REDACTED**] Investors, Tongkun Langtai, SME Development Fund, Aoyrise Industry and Huacang Yixing Investment, of an increased registered capital of RMB100,008 at a consideration of RMB80.0 million.

***(g) Equity transfer in April 2021***

Pursuant to an equity transfer agreement dated April 1, 2021, Beijing Xingrong Yuhang and Beijing New Era Space transferred RMB17,501 and RMB7,501 of the registered capital of the Company, representing 0.89% and 0.38% of the then equity interest, to Ms. Feng Meiqian at a consideration of RMB14.0 million and RMB6.0 million, respectively. The equity transfers were completed on June 2, 2021. Ms. Feng Meiqian has more than ten years of experience in primary and secondary equity investment. To the best knowledge of the Company, the consideration in respect of such equity transfer was determined after arm's length negotiations between the parties, with reference to the value of the registered capital of the Company and the status and prospect of our business at the time of the relevant transaction.

***(h) Series Pre-*[REDACTED] *Financing***

We completed our series Pre-[**REDACTED**] financing in May 2021 through subscription by our Pre-[**REDACTED**] Investors, Jiaxing Tianhai Desheng and Hengkun Development Fund, of an increased registered capital of RMB133,158 at a consideration of RMB120.0 million.

***(i) Equity transfer in July 2021***

Pursuant to an equity transfer agreement dated July 21, 2021, Beijing Xingrong Yuhang and Beijing New Era Space transferred RMB11,651 and RMB4,993 of the registered capital of the Company, representing 0.55% and 0.24% of the then equity interest, to Shengren Investment at a consideration of RMB10.5 million and RMB4.5 million, respectively. The equity transfers were completed on September 27, 2021. Shengren Investment is a limited liability company established in the PRC on May 11, 2021, and, as of the Latest Practicable Date, was held as to 100% by Shenzhen Shengdao Investment Development Co., Ltd (深圳市聖道投資發展有限公司), which was ultimately owned by an individual. To the best knowledge of the Company, the considerations in respect of such equity transfers were determined after arm's length negotiations between the parties, with reference to the value of the registered capital of the Company and the status and prospect of our business at the time of the relevant transactions.

### *(j) Series Pre-*[**REDACTED**] *Financing from September 2021 to March 2022*

We completed our series Pre-[**REDACTED**] financing in February 2022 through subscription by our Pre-[**REDACTED**] Investors, Dongguan Investment, Zhenye Aerospace, Wuxi Tianyanxing, Qingchuang Bole Gongyu, Yinfeng Rongjin, Guangdong Jiahao Investment, and Beijing Xinghua Zhilian Investment, of an increased registered capital of RMB834,047 at a consideration of RMB170.0 million.

### *(k) Equity transfer in November 2023*

Pursuant to an equity transfer agreement dated November 20, 2023, Aoyrise Industry transferred 167,811 Shares, representing 0.48% of the then equity interest, to Qingdao Juderong Financial at a consideration of RMB19.7 million. Upon completion of such equity transfer, Aoyrise Industry ceased to hold any interest in the Company. Qingdao Juderong Financial is a limited liability company established in the PRC on March 15, 2019, and, as of the Latest Practicable Date, was held as to 100% by Qingdao Luhao Investment Group Co., Ltd (青島魯昊投資集團有限公司), which was ultimately owned by an individual. To the best knowledge of the Company, the consideration in respect of such equity transfer was determined after arm's length negotiations between the parties, with reference to the value of the registered capital of the Company and the status and prospect of our business at the time of the relevant transaction.

### *(l) Series Pre-*[**REDACTED**] *Financing from September 2022 to September 2023*

We completed our series Pre-[**REDACTED**] financing in December 2023 through subscription by our Pre-[**REDACTED**] Investors, Xinwu Fund, Hongtai Industrialization, Ceyuan Youchan, Ceyuan Innovation, Qingda Honghe, Haijin Xingyu, Xiuhu Fund and Haijin Juying, of an increased registered capital of RMB4,452,168 at a consideration of RMB521.95 million.

### *(m) Series Pre-*[**REDACTED**] *Financing from December 2023 to December 2024*

We completed our series Pre-[**REDACTED**] financing in December 2024 through subscription by our Pre-[**REDACTED**] Investors, Neijiang High-Tech Investment, Wuxi Guoxing Fund, Qingchuang Bole Fengqing, Taizhou SCOG, Taizhou Jintou, Dongtou Chantou, Zhejiang Zhongjing, Haikou Zongbao Fund, of an increased registered capital of RMB3,091,127 at a consideration of RMB537.5 million.

## C. Conversion into a joint stock company in January 2022

On January 29, 2022, our Company was converted from a limited liability company into a joint stock limited company. Immediately upon completion of the conversion, the registered capital of our Company became RMB30,000,000 divided into 30,000,000 Shares with a nominal value of RMB1.0 each, which were subscribed by all of the then Shareholders in proportion to their respective equity interests in our Company before the conversion.

### D. Share Subdivision

Pursuant to the resolutions of the Shareholders dated January 19, 2025, the Shares will be split on a one-for-ten basis immediately prior to the [**REDACTED**], and the nominal value of the Shares will be changed from RMB1.0 each to RMB0.1 each (namely, the Share Subdivision). Immediately after the Share Subdivision, the registered share capital of the Company will be RMB38,309,442 with [383,094,420] Shares in a nominal value of RMB0.1 each (without taking into consideration the new Shares to be issued for the [**REDACTED**]), which will be subscribed by all our then Shareholders in proportion to their respective equity interests in our Company immediately before the [**REDACTED**].

## EMPLOYEE OWNERSHIP PLATFORMS

With a view to incentivizing our management members, core employees and consultants on a long term basis and in recognition of their contribution to our success and development, Beijing Xingrong Yuhang and Beijing New Era Space were established in the PRC as our employee ownership platforms, with Dr. Lu being the sole general partner of each platform. As of the Latest Practicable Date, each of Beijing Xingrong Yuhang and Beijing New Era Space held 9,005,312 and 3,859,416 Shares, representing approximately 23.51% and 10.07% of the total issued share capital of the Company. Immediately upon completion of the Share Subdivision and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), Beijing Xingrong Yuhang and Beijing New Era Space will be interested in approximately [**REDACTED**] and [**REDACTED**] of the total issued share capital of our Company. Given the Shares have already been issued to such platforms as of the Latest Practicable Date, there will not be any dilutive effect to the issued Shares as a result of the operation of such platforms.

Pursuant to the partnership agreements, the general partner of Beijing Xingrong Yuhang and Beijing New Era Space, namely Dr. Lu, is entitled to exercise of the voting rights attaching to all of the Shares held by Beijing Xingrong Yuhang and Beijing New Era Space. None of the selected participants is entitled to exercise any voting rights attaching to the Shares held by Beijing Xingrong Yuhang and Beijing New Era Space.

Based on an evaluation of the length of service, positions and performance, certain management members and core employees were selected to participate in our employee ownership platforms. The selected participants were granted awards in the form of holding partnership interests in Beijing Xingrong Yuhang and/or Beijing New Era Space. As at the date of this document, there were 30 limited partners in Beijing Xingrong Yuhang and 26 limited partners in Beijing New Era Space. Among the 30 limited partners in Beijing Xiongrong Yuhang, Mr. Guo Yong, our executive Director, was interested in 1.94% of the limited partnership interest and Dr. Zhao Hongjie, our executive Director, was interested in 1.00% of the limited partnership interest. The remaining limited partners in Beijing Xiongrong Yuhang were primarily current and former employees of the Group, and none of them held 30% or more of the limited partnership interest. Among the 26 limited partners in Beijing New Era Space, Mr. Huang Ruoliang, our executive Director, was interested in 28.69% of the limited partnership interest, Dr. Wang Lei, our executive Director was interested in 28.41% of the limited partnership and Dr. Zhao Hongjie, our executive Director was interested in 2.26% of the limited partnership interest. The remaining limited partners in Beijing New Era Space were primarily current and former employees of the Group, and none of them held 30% or more of the limited partnership interest.

## PRE-[REDACTED] INVESTMENTS

We completed the following rounds of Pre-**[REDACTED]** Investments, details of which are summarized below.

| No. | Pre-[REDACTED] Investment | Timing of the investment agreements | Date on which investment was fully settled(1) | Total amount of registered capital increased or transferred | Amount of consideration | Post-money valuation(2) | Cost per share(3) | Discount to the [REDACTED](4) |
|---|---|---|---|---|---|---|---|---|
| | | | | *RMB* | *RMB in millions* | *RMB in millions* | *RMB* | |
| 1. . . | Series Angel | From May 2018 to December 2018 | January 8, 2019 | 357,143 | 25.00 | 95.00 | [REDACTED] | [REDACTED]% |
| 2. . . | Series Pre-A | From October to December 2018 | April 28, 2019 | 176,428 | 26.00 | 226.00 | [REDACTED] | [REDACTED]% |
| 3. . . | Series Pre-A2 | January 2019 | May 22, 2019 | 65,725 | 15.00 | 365.00 | [REDACTED] | [REDACTED]% |
| 4. . . | Series A+ | From October 2019 to July 2020 | September 18, 2020 | 275,879 | 138.00 | 938.00 | [REDACTED] | [REDACTED]% |
| 5. . . | Series A++ | From December 2020 to March 2021 | March 18, 2021 | 100,008 | 80.00 | 1,580.00 | [REDACTED] | [REDACTED]% |
| 6. . . | Series Pre-[REDACTED] | May 2021 | May 31, 2021 | 133,158 | 120.00 | 1,900.00 | [REDACTED] | [REDACTED]% |
| 7. . . | Series Pre-[REDACTED] | From September 2021 to March 2022 | February 16, 2022 | 834,047 | 170.00 | 2,170.00 | [REDACTED] | [REDACTED]% |
| 8. . . | Series Pre-[REDACTED] | From September 2022 to September 2023 | December 8, 2023 | 4,452,168 | 521.95 | 4,121.95 | [REDACTED] | [REDACTED]% |
| 9. . . | Series Pre-[REDACTED] | From December 28, 2023 to December 23, 2024 | December 26, 2024 | 3,149,727 | 537.50 | 6,537.50 | [REDACTED] | [REDACTED]% |

*Notes:*

(1) This refers to the timing of last payment made by the relevant Pre-[**REDACTED**] Investors in the relevant series of the Pre-[**REDACTED**] Investment.

(2) Post-money valuation refers to the sum of (i) the pre-money valuation for the corresponding round of the Pre-[**REDACTED**] Investment and (ii) the total funds received by the Company from the corresponding round of the Pre-[**REDACTED**] Investment. Pre-money valuation refers to the cost per newly issued share paid to the Company for the corresponding round of the Pre-[**REDACTED**] Investment, multiplied by the issued share capital of the Company immediately prior to the corresponding round of the Pre-[**REDACTED**] Investment.

(3) Before the Company was converted into a joint stock company on January 29, 2022, the Company did not have any shares. Cost per Share prior to the conversion was calculated with reference to the investment consideration and the corresponding registered capital subscribed.

(4) The discount to the [**REDACTED**] is calculated based on (i) the assumption that the [**REDACTED**] is HK$[**REDACTED**] per Share, being the mid-point of the indicative [**REDACTED**] range of HK$[**REDACTED**] to HK$[**REDACTED**] per Share; and (ii) the exchange rate of HK$1 to RMB0.92304, which was the exchange rate published by the People's Bank of China on January 17, 2025.

**Other principal terms of the Pre-[REDACTED] Investments**

The table below sets forth the other principal terms of the Pre-[**REDACTED**] Investments:

| | |
|---|---|
| **Use of proceeds from the Pre-[REDACTED] Investments** | The gross [**REDACTED**] from the Pre-[**REDACTED**] Investments of RMB1,633.45 million has been utilised in part for the development and operation of our business, including without limitation, research and development on technologies and products, marketing, employee recruitment, and working capital.<br><br>As of the Latest Practicable Date, RMB525.0 million remained unutilized and will be used for the operation and further development of our Group's business, including but not limited to research and development on technologies and products, market development, employee recruitment and daily operating expenses. |
| **Strategic benefits to our Company brought by the Pre-[REDACTED] Investors** | At the time of the relevant Pre-[**REDACTED**] Investments, our Directors were of the view that our Company would benefit from the additional capital provided by the Pre-[**REDACTED**] Investors' investments in our Company, and that the Pre-[**REDACTED**] Investors' investments in our Company demonstrated their confidence in our Group's operations and served as an endorsement of our Company's performance, strengths and prospects. |
| **Basis of determining the considerations** | The consideration of each of the Pre-[**REDACTED**] investments was determined after arm's length negotiations between us and each of the Pre-[**REDACTED**] Investors with reference to the timing of the investments and the status and prospect of our business. |
| **Lock-up requirement** | The Pre-[**REDACTED**] Investors are not subject to any lock-up arrangement at the time of [**REDACTED**] under the relevant agreements in relation to the Pre-[**REDACTED**] Investments.<br><br>Pursuant to the applicable PRC law, the Shares held by the all existing Shareholders (including the Pre-[**REDACTED**] Investors) are subject to a lock-up period of 12 months after the [**REDACTED**]. |

| | |
|---|---|
| **Special rights of the Pre-[REDACTED] Investors** . . . . . . . . . . . . . . . . | Pursuant to the investment agreements with the Pre-[**REDACTED**] Investors, the Pre-[**REDACTED**] Investors were granted certain special rights in relation to our Company, including, among others, right to appoint Directors, anti-dilution right, pre-emptive right, co-sale right, right of liquidation preference, and repurchase right.<br><br>Repurchase right was automatically terminated on the date of the first submission of the [**REDACTED**] application to the Stock Exchange provided that the repurchase right shall be automatically restored on the following day upon the occurrence of the earliest of (i) the withdrawal of the [**REDACTED**] application by the Company, (ii) the rejection of the [**REDACTED**] application by the Stock Exchange, or (iii) the Stock Exchange not granting approval for the [**REDACTED**]. The other special rights will be automatically terminated on the date of [**REDACTED**] and shall not survive the [**REDACTED**]. |

**Information about the major Pre-[REDACTED] Investors**

The background information of our major Pre-[**REDACTED**] Investors holding more than 1.0% of our total issued share capital immediately prior to completion of the [**REDACTED**] is set out below.

***1. Galaxy Industry Group***

Galaxy Industry Group is a limited liability company established in the PRC on August 18, 2015, and is held as to 100% by Galaxy Holding Group Co., Ltd. (星河控股集團有限公司), which is in turn ultimately owned by Huang Chulong (黃楚龍). Galaxy Industry Group principally engages in five major business sectors, namely industrial carrier development and operation, industrial capital investment, industrial city research and planning, industrial entity operation, and asset operation management.

***2. Hongtai Industrialization, Hongtai Kuyu and Wuxi Guoxing Fund***

Hongtai Industrialization is a limited partnership established in the PRC on April 1, 2022. Its general partner is Beijing Hongtai Tongchuang Investment Management Co., Ltd (北京洪泰同創投資管理有限公司) ("**Beijing Hongtai Tongchuang**"), which holds 1.0% of the interest therein. Its largest limited partner is Tai'an Dongyue Wealth Equity Investment Fund Co., Ltd (泰安市東岳財富股權投資基金有限公司) ("**Tai'an Dongyue**"), which holds 89% interest therein, and none of the other limited partners holds interest of 30% or more therein. Tai'an Dongyue is ultimately owned by Tai'an Finance Bureau (泰安市財政局).

Hongtai Kuyu is a limited partnership established in the PRC on July 12, 2018. Its general partners are Beijing Hongtai Tongchuang and Tibet Hongtai Lecheng Enterprise Management Co., Ltd. (西藏洪泰樂成企業管理有限公司) ("**Hongtai Lecheng**"), each of which holds 0.4% of the partnership interest therein. Beijing Hongtai Tongchuang and Hongtai Lecheng are ultimately owned by Dr. Sheng Xitai (盛希泰), our non-executive Director. The largest limited partner of Hongtai Kuyu is Shanghai Megami Asset Management Co., Ltd (上海兆米資產管理有限公司) ("**Shanghai Megami**"), which holds 72.8% interest therein, and none of the other limited partners holds interest of 30% or more therein.

Wuxi Guoxing Fund is a limited partnership established in the PRC on October 10, 2024. Its general partner is Wuxi Xingxin Co-Creation Investment Co., Ltd. (無錫市星鑫共創投資有限公司) ("**Wuxi Xingxin Co-Creation Investment**"), which holds approximately 0.33% of the interest therein and is ultimately controlled by Dr. Sheng Xitai (盛希泰), our non-executive Director. The limited partner of Wuxi Guoxing Fund is Wuxi Liangxi Science and Technology Innovation Industry Investment Phase II Fund Partnership (Limited Partnership) (無錫市梁溪科創產業投資二期基金合夥企業(有限合夥)) ("**Wuxi Liangxi Phase II Fund**"), which holds approximately 99.67% therein. Wuxi Liangxi Phase II Fund is a private equity fund. Its general partner is Wuxi Liangxi Science and Technology Innovation Industry Investment Phase II Management Co., Ltd. (無錫市梁溪科創產業投資二期管理有限公司), which holds 0.08% of the interest. The other partners are Wuxi Xiangyun Investment Co., Ltd. (無錫市象雲投資有限公司), and Wuxi Liangxi Science and Technology City Development Group Co., Ltd. (無錫市梁溪科技城發展集團有限公司), each holding 49.96% of the interest, and is ultimately controlled by the State-owned Assets Supervision and Administration Office of the People's Government of Liangxi District, Wuxi City (無錫市梁溪區人民政府國有資產監督管理辦公室). Wuxi Guoxing Fund principally engages in venture capital investment.

### 3. *Shenzhen Capital Group*

Shenzhen Capital Group is a limited liability company established in the PRC on August 25, 1999. Shenzhen Capital Group is held as to 28.2% by State-owned Assets Supervision and Administration Commission of Shenzhen Municipal People's Government (深圳市人民政府國有資產監督管理委員會), 20.0% by Shenzhen Galaxy Real Estate Development Co., Ltd (深圳市星河房地產開發有限公司), 12.8% by Shenzhen Capital Operation Group Co., Ltd (深圳市資本運營集團有限公司), 10.8% by Shanghai Dazhong Public Utilities (Group) Co., Ltd (上海大眾公用事業(集團)股份有限公司), and certain remaining entities each holding less than 10% equity interest. Shenzhen Capital Group principally engages in the business of venture investment, equity investment, investment in equity investment funds, equity investment fund management, entrusted management of investment funds, etc.

### 4. *Hengkun Development Fund*

Hengkun Development Fund is a limited liability company established in the PRC on April 16, 2013. It is held as to 100% by Guangdong Hengxin Fund Management Co., Ltd (廣東恒信基金管理有限公司), which is in turn ultimately owned by State-owned Assets Supervision and Administration Commission of the People's Government of Guangdong Province.

### 5. *Huizhou Yilin Investment*

Huizhou Yilin Investment is a limited partnership established in the PRC on July 9, 2019 and is held as to 60% by Lai Haiyang (賴海洋) as is general partner, and 40% by Lai Guoyang (賴國洋) as its limited partner.

### 6. *Ouzhuo Enterprise*

Ouzhuo Enterprise is a limited partnership established in the PRC on December 6, 2018 and is held as to 40% by Zhang Xingzhi (張興智) as its general partner, and 60% by Yu Bingbing (於兵兵) as its limited partner.

### 7. *Guangdong Wanquan Investment*

Guangdong Wanquan Investment is a limited liability company established in the PRC on May 27, 2017. It is held as to 51% by Qushui Wanquan Technology Co., Ltd (曲水萬全科技有限公司) ("**Qushui Wanquan**"), and 49% by Shenzhen Vanke Financial Consulting Co., Ltd (深圳市萬科財務顧問有限公司) ("**Shenzhen Vanke**"). Qushui Wanquan principally engages in software development, software technology services, electronic product design services, electronic product retail, building materials, steel retail business and is ultimately owned by Yan Xueyan (楊雪艷). Shenzhen Vanke principally engages in investment consulting and investment in industrial business and is ultimately owned by China Vanke Co., Ltd. (萬科企業股份有限公司) (a company listed on the Stock Exchange (stock code: 2202)).

### 8. *Hexing No. II Investment*

Hexing No. II Investment is a limited partnership established in the PRC on June 27, 2018. Its general partner is Shenzhen Hexing Fund Management Co., Ltd (深圳市合興基金管理有限公司), which holds 0.99% of the interest therein, and is ultimately owned by Yang Guosheng (楊國勝). Hexing No. II Investment is also held as to 80.2% by Yang Guosheng (楊國勝), and none of the other four limited partners holds interest of 30% or more therein.

### 9. *Qingda Honghe*

Qingda Honghe is a limited partnership established in the PRC on August 31, 2022. Its general partner is Xiamen Qingda Honghe Private Equity Fund Management Co., Ltd (廈門清大紅禾私募基金管理有限公司), which holds 0.47% of the interest therein and is ultimately owned by Huang Chenyun (黃晨昀). Qingda Honghe is also held as to 93.6% by its largest limited partner, Tai'an Taishan Development Investment Co., Ltd (泰安市泰山發展投資有限公司), and none of the other five limited partners holds interest of 30% or more therein.

### *10. Haijin Xingyu and Haijin Juying*

Haijin Xingyu is a limited partnership established in the PRC on June 26, 2023. Its general partner is Qingdao Rongfu Huijin Asset Management Co., Ltd (青島融富匯金資產管理有限公司), which holds 0.1% interest therein and is ultimately owned by Qingdao State-owned Assets Supervision and Administration Commission. Haijin Xingyu is also held as to 99.8% by Qingdao Haifa Technology Innovation Investment Co., Ltd (青島海發科技創新投資有限公司), and 0.1% by Qingdao Haifa Supply Chain Management Co., Ltd (青島海發供應鏈管理有限公司). Qingdao Haifa Industrial Investment Holding Co., Ltd is ultimately owned by Qingdao State-owned Assets Supervision and Administration Commission.

Haijin Juying is a limited partnership established in the PRC on June 25, 2023. Its general partner is Qingdao Rongfu Huijin Asset Management Co., Ltd (青島融富匯金資產管理有限公司), which holds 0.1% interest therein and is ultimately owned by Qingdao State-owned Assets Supervision and Administration Commission. Haijin Juying is also held as to 99.9% by certain employees of Qingdao Haifa State-owned Capital Investment and Operation Group Co., Ltd. (青島海發國有資本投資運營集團有限公司).

### *11. Qingchuang Bole Gongyu and Qingchuang Bole Fengqing*

Qingchuang Bole Gongyu is a limited partnership established in the PRC on March 26, 2021. Its general partner is Beijing Qingchuang Bole Investment Co., Ltd (北京青創伯樂投資有限公司), which holds as to 48.9% interest therein and is ultimately owned by Lai Guangning (賴光寧). Qingchuang Bole Gongyu is also held as to 8.9% by Lu Gele (呂歌樂), and 35 other limited partners, each holding less than 5% of the partnership interest.

Qingchuang Bole Fengqing is a limited part established in the PRC on September 15, 2022. Its general partner is Beijing Qingchuang Bole Investment Co., Ltd (北京青創伯樂投資有限公司), which holds as to 1.00% interest therein. Qingchuang Bole Fengqing is also held as to 99.00% by nine other limited partners, none of which holds partnership interest of 30% or more therein.

### *12. Taizhou SCOG, Taizhou Jintou and Zhejiang Zhongjing*

Taizhou SCOG was established on January 23, 2008 as a wholly state-owned company approved by the Taizhou Municipal People's Government and funded by the Taizhou Municipal People's Government State-owned Assets Supervision and Administration Commission and Zhejiang Financial Development Co., Ltd. (Provincial Social Security Fund). The main credit rating is AAA and the registered capital is RMB3 billion. As the state-owned capital operation pilot unit in Taizhou's state-owned assets system, Taizhou State-owned Capital Operation Group Co., Ltd. is the main investor of many municipal state-owned enterprise groups and undertakes functions such as equity management, capital operation and asset integration.

Taizhou Jintou is a limited liability company established in the PRC on December 31, 2021, and is wholly owned by Taizhou Financial Investment Group Co., Ltd. (台州市金融投資集團有限公司), which is in turn ultimately owned by Taizhou SASAC. Taizhou Jintou is an entity of state-owned capital equity investment.

Zhejiang Zhongjing a limited liability company established in the PRC on November 10, 2021, and is a wholly owned subsidiary of Taizhou SCOG.

### *13. SME Development Fund*

SME Development Fund is a limited partnership established in the PRC on December 21, 2016, and principally engages in equity investment. Its general partner is Shenzhen Fuhai SME Development Fund Equity Investment Management Co., Ltd (深圳市富海中小企業發展基金股權投資管理有限公司) ("**OFC SME Management**"), which holds 1.0% of the interest therein and is owned by Shenzhen Oriental Fortune Investment Management Co., Ltd. (深圳市東方富海投資管理股份有限公司). The largest limited partner of SME Development Fund is National Small and Medium Enterprise Development Fund Co., Ltd (國家中小企業發展基金有限公司), which holds 24.4% interest therein, and none of the other ten limited partners holds interest of 30% or more therein.

### *14. Xiuhu Fund*

Xiuhu Fund is a limited liability company established in the PRC on May 11, 2016 and is owned as to 50.0% each by Jiaxing Jiaxiu Development Investment Holding Group Co., Ltd (嘉興市嘉秀發展投資控股集團有限公司) ("**Jiaxing Jiaxiu**") and Jiaxing Xiuzhou High-Tech Investment Co., Ltd (嘉興市秀洲高新投資有限公司) ("**Jiaxing Xiuzhou**"), respectively. Xiuhu Fund is ultimately owned by Jiaxing Xiuzhou District State-owned Assets Management Committee (嘉興市秀洲區國有資產管理委員會).

### *15. Beijing Xinghua Zhilian Investment*

Beijing Xinghua Zhilian Investment is a limited partnership established in the PRC on January 19, 2018. Its general partner is Beijing Etown Union United Investment Management Co., Ltd (北京屹唐聯合投資管理有限公司), which holds 1.0% of the interest therein and its ultimate beneficial owner is Zhang Zhiliang (張志良). The largest limited partner of Beijing Xinghua Zhilian Investment is Beijing Starneto Technology Co., Ltd (北京星網宇達科技股份有限公司), which holds 25.74% therein, and none of the other five limited partners holds 30% or more interest therein.

### *16. Guang Xin Development*

Guang Xin Development is a limited liability company established in the PRC on April 9, 2008, and is held as to 85.9% by Deyang Investment Holding Group Co., Ltd (德陽投資控股集團有限責任公司), and 14.1% by Guanghan Land Acquisition and Reserve Center (廣漢市土地收購儲備中心). Guang Xin Development is ultimately owned by Guanghan State-owned Assets Management Centre (廣漢市國有資產經營中心).

### Sole Sponsor's Confirmation

On the basis that (i) the consideration for the Pre-[**REDACTED**] Investments was irrevocably settled more than 28 clear days before the date of our first submission of the [**REDACTED**] application to the Stock Exchange; and (ii) all special right granted to the Pre-[**REDACTED**] Investors have been terminated, the Sole Sponsor confirms that the Pre-[**REDACTED**] Investments are in compliance with the Pre-[**REDACTED**] Investment Guidance (as defined in the Guide for New [**REDACTED**] Applicants).

## ACTING-IN-CONCERT ARRANGEMENTS

During the period from November 2018 to November 2021, to enhance the Company's decision-making efficiency and to ensure stable ownership and business development of the Group, 12 financial investors (namely, Huizhou Yilin Investment, Ouzhuo Enterprise, Hexing No. II Investment, Qingchuang Bole Gongyu, Hongyu No. I Enterprise, Feng Meiqian, Jiaxing Tianhai Desheng, Wuxi Tianyanxing, Kangjian Agricultural, Shengren Investment, Yinfeng Rongjin, Aoyrise Industry, who are all Independent Third Parties, collectively, the "**AIC Shareholders**") holding an aggregate of approximately 15.13% of the beneficial interest in Company as of the Latest Practicable Date, have each entered into an acting-in-concert agreement with Beijing Xingrong Yuhang (the "**AIC Agreement**", and collectively, "**AIC Agreements**"). Pursuant to the AIC Agreements, each of the AIC Shareholders confirmed that, he/she/it would vote at shareholders' meetings of the Company in accordance with the opinion or instructions of Beijing Xingrong Yuhang, which was controlled by Dr. Lu by virtue of his role as the general partner. Pursuant to an equity transfer agreement dated November 20, 2023, Aoyrise Industry transferred its entire equity interest in the Company to Qingdao Juderong Financial. See "— Major changes in our Company's registered capital and shareholding structure — B. Pre-[**REDACTED**] Investments from May 2018 to December 2024 — (k) Equity transfer in November 2023". Accordingly, Aoyrise Industry's rights and obligations under its AIC Agreement with Beijing Xingrong Yuhang have been assumed by Qingdao Juderong Financial.

During October 2024 to November 2024, Beijing Xingrong Yuhang has entered into a supplemental acting-in-concert agreement with each of the AIC Shareholders (together with the "**AIC Agreements**", the "**AIC Arrangements**") pursuant to which it was confirmed that their respective AIC Arrangements will continue to be effective up until the time immediately prior to the [**REDACTED**].

## MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

During the Track Record Period and up to the Latest Practicable Date, we had not conducted any acquisitions, disposals or mergers that we considered to be material to us.

## PUBLIC FLOAT

Following completion of the Share Subdivision, the Conversion of Unlisted Shares into H Shares and the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised), our Company will have [**REDACTED**] Unlisted Shares and [**REDACTED**] H Shares, among which:

(i) [**REDACTED**] Unlisted Shares (representing approximately [**REDACTED**]% of our total issued Shares following completion of the Share Subdivision, the Conversion of Unlisted Shares into H Shares and the [**REDACTED**]) will not be considered as part of the public float as such Unlisted Shares will not be converted into H Shares; and

(ii) among [**REDACTED**] H Shares, [**REDACTED**] H Shares to be converted from the Unlisted Shares will not be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules as such H Shares are being held by the entities controlled by Dr. Sheng Xitai (namely Wuxi Guoxing Fund, Hongtai Industrialization and Hongtai Kuyu), which are core connected persons of our Company. To the best knowledge of our Directors and after due enquiries, remaining [**REDACTED**] H Shares held by our Shareholders will be counted towards to the public float of our Company according to Rule 8.08 of the Listing Rules upon the [**REDACTED**].

Accordingly, it is expected that immediately following completion of the Share Subdivision, the Conversion of Unlisted Shares into H Shares and the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised), the total number of H Shares held by the public represents approximately [**REDACTED**] of our total issued Shares upon [**REDACTED**]. Therefore, our Company will be able to meet the minimum public float requirement under Rule 8.08 of the Listing Rules.

## SHAREHOLDING STRUCTURE

The table below summarizes the shareholding structure of our Company (a) as of the Latest Practicable Date and (b) immediately upon completion of the Share Subdivision, the Conversion of Unlisted Shares into H Shares and the [**REDACTED**], assuming the [**REDACTED**] is not exercised.

| Shareholder | Number of Share held as of the Latest Practicable Date | Percentage of shareholding as of the Latest Practicable Date | Percentage of shareholding immediately upon completion of the Share Subdivision, the Conversion of Unlisted Shares into H Shares and the [REDACTED], assuming the [REDACTED] is not exercised |
|---|---|---|---|
| Beijing Xingrong Yuhang(1) | 9,005,312 | 23.51% | [**REDACTED**]% |
| Beijing New Era Space(1) | 3,859,416 | 10.07% | [**REDACTED**]% |
| **Major Pre-[REDACTED] Investors(2)(3)** | | | |
| Galaxy Industry Group | 3,835,374 | 10.01% | [**REDACTED**]% |
| *Entities controlled by Dr. Sheng Xitai* | | | |
| – Wuxi Guoxing Fund | 1,757,986 | 4.59% | [**REDACTED**]% |
| – Hongtai Industrialization | 1,705,975 | 4.45% | [**REDACTED**]% |
| – Hongtai Kuyu | 1,073,432 | 2.80% | [**REDACTED**]% |
| Shenzhen Capital Group | 1,495,556 | 3.90% | [**REDACTED**]% |
| Hengkun Development Fund | 1,489,569 | 3.89% | [**REDACTED**]% |
| Huizhou Yilin Investment | 1,073,419 | 2.80% | [**REDACTED**]% |
| Ouzhuo Enterprise | 910,897 | 2.38% | [**REDACTED**]% |
| Guangdong Wanquan Investment(4) | 910,897 | 2.38% | [**REDACTED**]% |
| Hexing No. II Investment | 882,278 | 2.30% | [**REDACTED**]% |
| Qingda Honghe | 852,987 | 2.23% | [**REDACTED**]% |
| *Haijin* | | | |
| – Haijin Xingyu | 852,561 | 2.23% | [**REDACTED**]% |
| – Haijin Juying | 17,060 | 0.04% | [**REDACTED**]% |
| *Qingchuang Bole* | | | |
| – Qingchuang Bole Gongyu | 778,297 | 2.03% | [**REDACTED**]% |
| – Qingchuang Bole Fengqing | 55,670 | 0.15% | [**REDACTED**]% |
| *Taizhou SCOG and its wholly owned subsidiaries* | | | |
| – Taizhou SCOG | 527,396 | 1.38% | [**REDACTED**]% |
| – Taizhou Jintou | 410,197 | 1.07% | [**REDACTED**]% |
| – Zhejiang Zhongjing | 58,600 | 0.15% | [**REDACTED**]% |
| SME Development Fund | 503,432 | 1.31% | [**REDACTED**]% |
| Xiuhu Fund | 426,494 | 1.11% | [**REDACTED**]% |
| Beijing Xinghua Zhilian Investment | 424,528 | 1.11% | [**REDACTED**]% |
| Guang Xin Development | 402,539 | 1.05% | [**REDACTED**]% |
| **Other Pre-[REDACTED] Investors(3)** | | | |
| Hongyu No. I Enterprise | 364,361 | 0.95% | [**REDACTED**]% |
| Feng Meiqian | 335,621 | 0.88% | [**REDACTED**]% |
| Huacang Yixing Investment | 335,621 | 0.88% | [**REDACTED**]% |
| Tongkun Langtai | 335,621 | 0.88% | [**REDACTED**]% |

| Shareholder | Number of Share held as of the Latest Practicable Date | Percentage of shareholding as of the Latest Practicable Date | Percentage of shareholding immediately upon completion of the Share Subdivision, the Conversion of Unlisted Shares into H Shares and the [REDACTED], assuming the [REDACTED] is not exercised |
|---|---|---|---|
| Jiaxing Tianhai Desheng | 297,914 | 0.78% | [**REDACTED**]% |
| Guangdong Jiahao Investment | 283,019 | 0.74% | [**REDACTED**]% |
| Wuxi Tianyanxing | 283,013 | 0.74% | [**REDACTED**]% |
| Dongguan Investment | 283,013 | 0.74% | [**REDACTED**]% |
| Kangjian Agricultural | 268,355 | 0.70% | [**REDACTED**]% |
| Xinwu Fund | 255,896 | 0.67% | [**REDACTED**]% |
| *Ceyuan* | | | |
| – Ceyuan Youchan | 255,896 | 0.67% | [**REDACTED**]% |
| – Ceyuan Innovation | 85,299 | 0.22% | [**REDACTED**]% |
| Shengren Investment | 223,425 | 0.58% | [**REDACTED**]% |
| Xinjiang Communications Construction | 214,686 | 0.56% | [**REDACTED**]% |
| Yinfeng Rongjin | 212,270 | 0.55% | [**REDACTED**]% |
| CTG | 182,174 | 0.48% | [**REDACTED**]% |
| Dongtou Chantou | 175,799 | 0.46% | [**REDACTED**]% |
| Qingdao Juderong Financial | 167,811 | 0.44% | [**REDACTED**]% |
| Zhenye Aerospace | 141,513 | 0.37% | [**REDACTED**]% |
| Linzhi Zhengyuan | 134,184 | 0.35% | [**REDACTED**]% |
| Haikou Zongbao Fund | 105,479 | 0.28% | [**REDACTED**]% |
| Neijiang High-Tech Investment | 58,600 | 0.15% | [**REDACTED**]% |
| [**REDACTED**] | | | |
| [**REDACTED**] Shareholders | – | – | [**REDACTED**]% |
| **Total** | **38,309,442** | **100%** | **100%** |

*Notes:*

1. For further details of Beijing Xingrong Yuhang and Beijing New Era Space, see "— Employee Ownership Platforms."

2. See " — Pre-[**REDACTED**] Investments — Information about the major Pre-[**REDACTED**] Investors" for the detailed background information of each of our major Pre-[**REDACTED**] Investors.

3. To the best knowledge of our Company, other than Hongtai Industrialization, Hongtai Kuyu and Wuxi Guoxing Fund, all Pre-[**REDACTED**] Investors are Independent Third Parties.

4. To the best knowledge of the Company, as of the Latest Practicable Date, 910,897 Unlisted Shares, representing 2.38% of the total issued share capital of the Company, held by Guangdong Wanquan Investment were pledged as the collateral of financing for the debt of such shareholder.

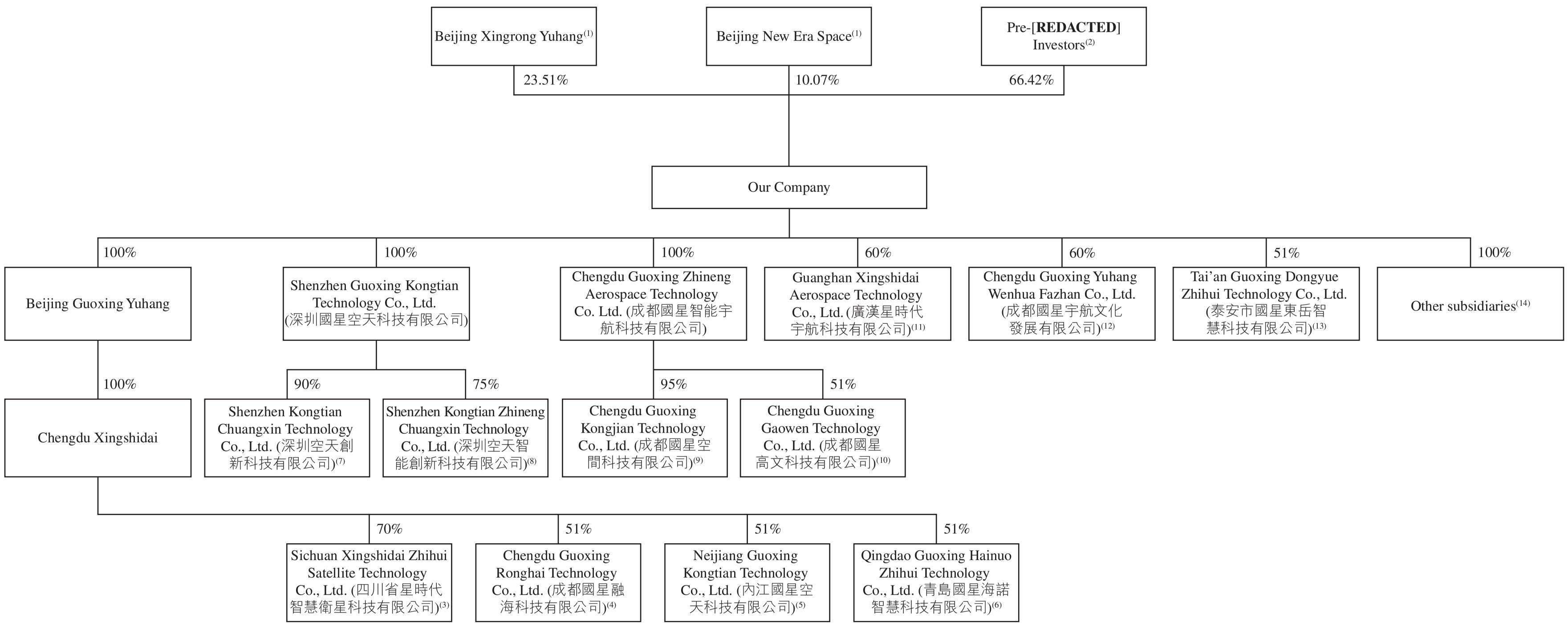
## CONFIRMATION BY THE PRC LEGAL ADVISORS

The PRC Legal Advisors have confirmed that the abovementioned equity transfers, changes in share capital and conversion from a limited company to a joint stock company with limited liability have been properly and legally completed and all necessary approvals, filings and registrations from the relevant PRC authorities have been obtained and completed in accordance with the applicable PRC laws and regulations.

## CORPORATE STRUCTURE

### A. Immediately before completion of the [REDACTED]

The following chart sets forth our simplified shareholding structure immediately before completion of the [**REDACTED**]:



*Notes:*

(1) Beijing Xingrong Yuhang and Beijing New Era Space are controlled by Dr. Lu by virtue of his role as their respective general partner, see "— Employee Ownership Platforms" for details.

(2) For details of the Pre-[**REDACTED**] Investors, see "— [**REDACTED**] Investments."

(3) The remaining interest was held by Chengdu Dianke Venture Capital Co., Ltd. (成都電科創業投資有限公司), Sichuan Dianke Internet Industry Technology Research Institute Co., Ltd. (四川省電科互聯網加產業技術研究院有限公司) ("**Sichuan Dianke Technology Research Institute**") and Guogao Achievement Venture Capital (Shenzhen) Co., Ltd. (國高成果創業投資(深圳)有限公司) as to 10%, 10% and 10% respectively, who are all Independent Third Parties, as of the Latest Practicable Date.

(4) The remaining 49% interest was held by Chengdu Ronghai Yuntong Earthquake Resistant Technology Co., Ltd. (成都融海運通抗震科技有限責任公司), an Independent Third Party, as of the Latest Practicable Date.

(5) The remaining 49% interest was held by Neijiang High-Tech Investment Service Co., Ltd. (內江高新科技投資服務有限責任公司), an Independent Third Party, as of the Latest Practicable Date.

(6) The remaining 49% interest was held by Qingdao Hainuo Investment Development Co., Ltd. (青島海諾投資發展有限公司), an Independent Third Party, as of the Latest Practicable Date.

(7) The remaining 10% interest was held by Guangdong Hengxin Fund Management Co., Ltd (廣東恒信基金管理有限公司), an Independent Third Party, as of the Latest Practicable Date.

(8) The remaining 25% interest was held by CUHK (Shenzhen) Asset Management Co., Ltd (港中大(深圳)資產經營有限公司), an Independent Third Party, as of the Latest Practicable Date.

(9) The remaining 5% interest was held by Chengdu Mingcheng Technology Co., Ltd. (成都明城科技有限公司), an Independent Third Party, as of the Latest Practicable Date.

(10) The remaining 49% interest was held by Sichuan Gaowen Communication Technology Co., Ltd. (四川高文通信科技有限公司), an Independent Third Party, as of the Latest Practicable Date.

(11) The remaining 40% interest was held by Guanghan Guang Xin Investment Development Co., Ltd. (廣漢市廣鑫投資發展有限公司), an Independent Third Party, as of the Latest Practicable Date.

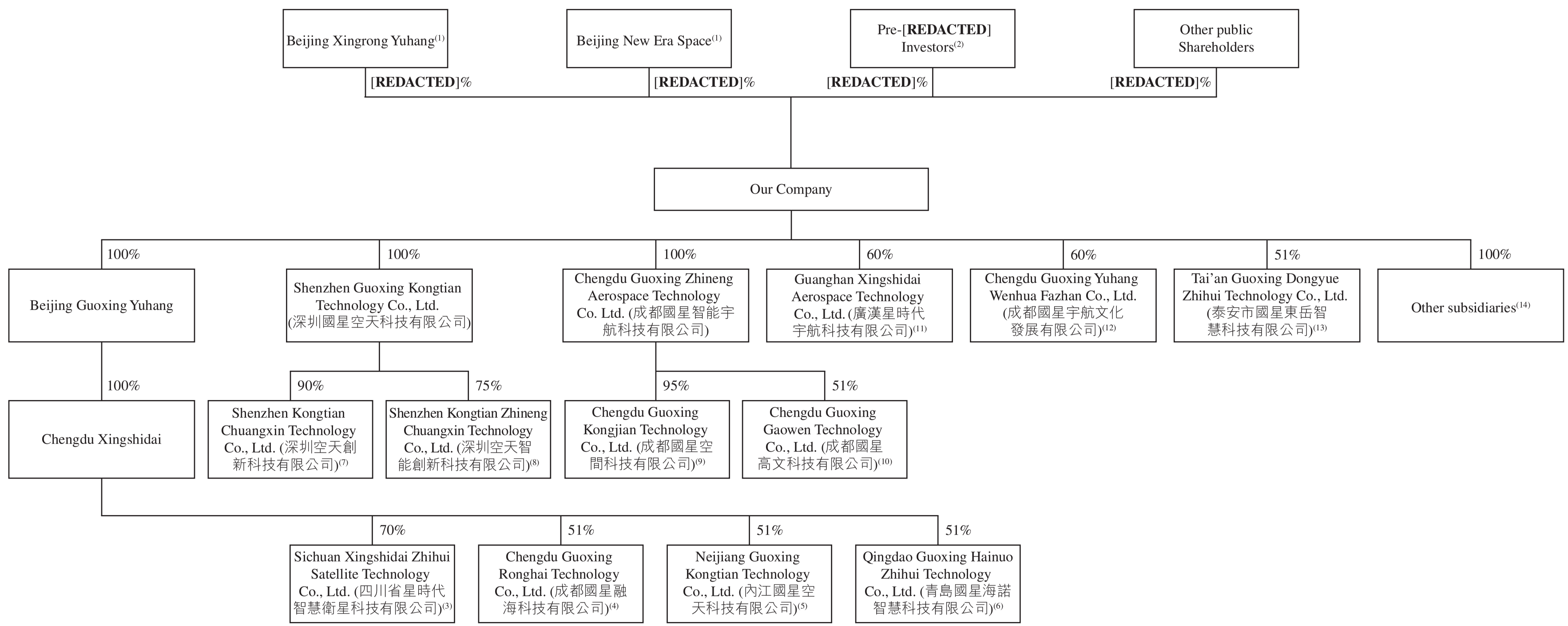
(12) The remaining interest was held by Li Linjun (李林軍) and Sichuan Dianke Technology Research Institute as of 20% and 20% respectively, both are Independent Third Party, as of the Latest Practicable Date.

(13) The remaining 49% interest was held by Tai'an Dongyue Construction Co., Ltd. (泰安市東岳建設有限公司), an Independent Third Party, as of the Latest Practicable Date.

(14) For a complete list of the relevant subsidiaries, please refer to Note 13 of the Accountant's Report as Appendix I to this document.

## B. Immediately following completion of the [REDACTED]

The following chart sets forth our simplified shareholding structure immediately following completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised):




*Note:*

(1) Please refer to notes in "— Corporate structure — Immediately before completion of the **[REDACTED]**".

## OVERVIEW

### Who We Are

Leveraging commercial aerospace and AI as our core technologies, we design and produce commercial satellites, ensuring stable operations and management, while delivering customized satellite-based solutions to meet the diverse needs of our customers.

### Our Vision

We are committed to developing commercial satellite constellations to build an integrated space—ground AI infrastructure, aiming to provide globally stable and sustainable satellite-based solutions and satellite-based computing services that are widely accessible, cost-effective and user-friendly.

To achieve this vision, we have devised a roadmap, structured into the following stages:

***Stage I (our inception to 2022)***. Since our inception, we primarily focused on the in-house development of AI payloads to validate the application of AI technology in satellites operating within complex space environments. As we launched a number of AI payloads and AI application satellites that we independently or jointly developed during Stage I, we collected substantial satellite remote sensing data, which was applied across diverse industry applications, garnering positive market feedback.

***Stage II (2023 to 2027)***. Building on the success of our AI application satellites and market validation, we initiated the development and market promotion of automated spatial dimension enhancement technology for remote sensing data, represented by the Lingjing Engine (靈境引擎). In November 2022, we officially introduced the Lingjing Engine to facilitate the transition from conventional 2D satellite remote sensing data to more sophisticated 3D solutions, significantly enhancing our capabilities in providing satellite-based solutions. Meanwhile, we are expediting the transition from AI application satellites to AI computing satellites. As of the Latest Practicable Date, we had independently developed four AI computing satellites. With XSD-15 launched in 2024, we have successfully completed the world's first technical validation of a large-scale AI model operating in orbit on satellites, according to Frost & Sullivan. We intend to continue advancing the development of AI computing satellites with superior computing power and data processing capabilities, driving the formation of a space-based computing network and promoting the establishment of the globally integrated space—ground AI infrastructure.

***Stage III (2028 onwards)***. We expect to complete and operationalize a globally integrated space—ground AI infrastructure in Stage III to provide satellite-based solutions and satellite-based computing services. This infrastructure is designed to interconnect space-based computing network supported by AI satellites with ground-based computing network, forming an integrated infrastructure that enables high-quality algorithm deployment, seamless satellite remote sensing data processing, advanced computing power and efficient communication between space and ground. Through this infrastructure, we aim to drive the intelligent transformation of industries worldwide, enhancing our industry impact and solidifying our market position.

### Our Achievements

Since our inception, we have been at the forefront of exploring the intersection of AI and satellite technologies. We have achieved significant achievements in developing AI satellites and satellite-based solutions, driving the innovation and development of the satellite industry. As of the Latest Practicable Date, we had jointly developed six conventional remote sensing satellites and one AI application satellite with our partners; we had also independently developed six AI payloads, four AI application satellites and four AI computing satellites. In addition, as of the Latest Practicable Date, we had successfully completed 13 space missions.

We have continuously enhanced our AI satellite technological capabilities, achieving several industry-leading breakthroughs in the satellite industry. With XSD-15 launched in 2024, we have successfully completed the world's first technical validation of a large-scale AI model operating in-orbit on satellites, according to Frost & Sullivan, which validated the model's operational adaptability to the space environment, reliability of the satellite platforms and the effectiveness of the in-orbit AI computing performance. We also launched the "AI Satellite Network System" project ("AI衛星網絡系統"項目), an initiative focused on advancing satellite data processing through AI and space-edge computing technologies. In 2019, this project was selected by the Ministry of Industry and Information Technology ("MIIT") as a key initiative in AI industrial innovation (工信部新一代人工智能產業創新重點任務). In 2021, we were awarded the MIIT' First Phase AI Industrial Innovation Award (工信部第一期人工智能產業創新揭榜優勝單位) for this project. In addition, leveraging the advanced capabilities of our AI computing satellites with continuous iteration, we are actively advancing the Star-Compute Project ("星算計劃"), seeking to create a space-based computing network consisting of 2,800 AI computing satellites. As of the Latest Practicable Date, the orbits and spectrum of the 2,800 AI computing satellites under the Star-Compute Project had been officially approved and announced by the International Telecommunication Union, marking a significant milestone in establishing our global presence and influence.

With a long-standing focus on the development of AI algorithms and the innovation of commercial solutions, we have successfully developed the Lingjing Engine, an advanced ground-based infrastructure designed for cost-effective and efficient satellite remote sensing data analysis and 3D modeling. The Lingjing Engine utilizes multi-source data fusion technology to swiftly produce highly accurate 3D digital models of real cities from 2D satellite remote sensing data, which are widely deployed across diverse applications, including space intelligence and computing services, digital city applications, urban governance and cultural, tourism, sports and gaming applications. Leveraging our AI algorithms, the Lingjing Engine effectively addresses the challenge of inconsistencies in satellite remote sensing data from different sources, accurately capturing key features such as elevation, buildings, vegetation, road networks, rivers and lakes from remote sensing data to generate 3D digital models with high precision. Compared to conventional techniques used in generating 3D models, the Lingjing Engine ensures smooth scene transitions and consistent visual continuity, delivering an immersive user experience with higher speed and significantly lower cost, according to Frost & Sullivan. Its efficiency and cost-effectiveness have made it a preferred solution for generating high-quality 3D models of urban environments, supporting a broad range of satellite-based solutions across industries.

We have secured strong competitive position in AI payload, AI application satellite and AI computing satellite development through our extensive portfolio of patents. As of the Latest Practicable Date, we held 100 patents in China, including 94 for AI satellites and related applications, with an additional 51 pending applications in the same field. In addition, as of the Latest Practicable Date, we held four U.S. patents, all of which related to AI satellites and related applications. We have also been actively contributing to the development of national-level centers. For example, as one of the founding members, we established the National Ultra High-Definition Video Innovation Center (國家超高清視頻創新中心) in 2022. In addition, as of the Latest Practicable Date, we received several prestigious awards and recognitions, including:

- a national-level Specialized and Innovative "Little Giant" Enterprise (國家級專精特新"小巨人"企業) by the MIIT in 2021;
- the Third Batch of National Key Supported Specialized and Innovative "Little Giant" Enterprises Listed (國家第三批重點支持專精特新"小巨人"企業名單) by the MIIT in 2022;
- the Grand Prize at the inaugural National Disruptive Technology Innovation Competition (首屆全國顛覆性技術創新大賽總決賽優勝獎) for our "AI Satellite Network System" project in 2022;
- the Special Prize of the Science and Technology Progress Award from the Chinese Association of Automation (中國自動化學會科技進步獎特等獎) in 2023;
- the recognition as an Intellectual Property Advantage Company by the China National Intellectual Property Administration ("NIPA") in 2023;
- the Specialized and Innovative "Little Giant" Enterprises to Continue Receiving Support (繼續支持的專精特新"小巨人"企業名單) by the MIIT in 2024; and
- the 25th China Patent Award (中國專利獎) by the NIPA in 2024.

**Our Technologies**

Through years of dedicated R&D, we have developed expertise in satellite and satellite-based solution development. Our core technologies include AI application satellite R&D and production technology adapted to the space environment, rapid satellite customization based on modular satellite platforms, automated spatial dimension enhancement for remote sensing data based on the Lingjing Engine, and AI computing satellite R&D and production technology based on the high-power flat-panel satellite platform.

***AI Application Satellite R&D and Production Technology Adapted to the Space Environment***. To address the unique challenges of the space environment, such as launch vibrations, space radiation and extreme temperatures, we have developed comprehensive reliability designs tailored for these conditions, including thermal design, radiation-resistant design, mechanical adaptability design and redundancy design. We have also developed a series of onboard AI algorithms enabling up to fourfold super-resolution of satellite imagery, significantly enhancing image clarity, detail and overall data quality.

***Rapid Satellite Customization Based on Modular Satellite Platforms***. To meet the diverse needs of satellite applications, we have developed a series of modular satellite platforms, including the low-cost scientific platform, the rapid-response verification platform, the agile maneuverable platform, the integrated sensing and computing platform and the high-power flat-panel platform. Each platform is designed with a modular approach, utilizing standardized components and optimized assembly, integration and testing ("AIT") processes. Our modular satellite platforms enable rapid and cost-effective satellite customization, significantly reducing both development time and costs while providing flexibility for the specific requirements of our customers across industries.

***Automated Spatial Dimension Enhancement for Remote Sensing Imagery Based on the Lingjing Engine***. Our Lingjing Engine is a cutting-edge tool for transforming 2D remote sensing imagery into highly detailed 3D digital models. By accurately identifying ground features such as buildings and terrain, it generates precise digital models, capturing building heights and other critical dimensions. This technology significantly expands the application potential of satellite-captured remote sensing imagery, offering valuable insights for urban planning, infrastructure development and a wide range of commercial uses.

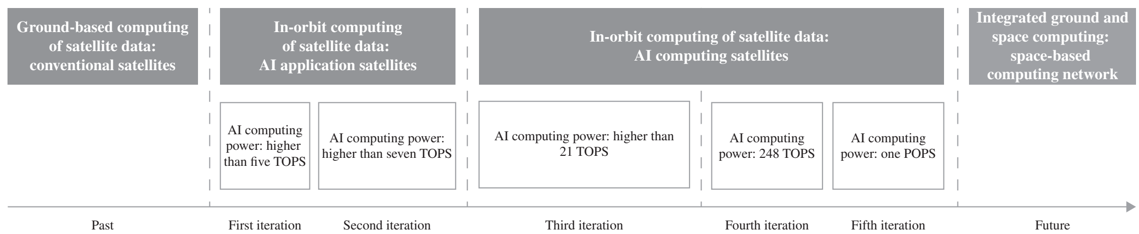
***AI Computing Satellite R&D and Production Technology Based on the High-Power Flat-Panel Satellite Platform***. To meet the unique requirements of our AI computing satellites, we developed the high-power flat-panel satellite platform that ensures sufficient electrical power supply, making it more suitable for launching multiple satellites with a single rocket, facilitating formation of space-based computing network. Our next generation AI computing satellites, expected to launch in 2025, are projected to have in-orbit computing power reaching one POPS per satellite.

## OUR STRENGTHS

### Leading Commercial Aerospace-Focused Company Specializing in AI Satellites

We are a leader in China in introducing the development roadmap for AI satellite technology, which encompasses both AI application satellites and AI computing satellites. In terms of revenue in 2023, we ranked second among all China's private commercial aerospace companies that manage the full satellite industry value chain, according to Frost & Sullivan.

Since our inception, we have been dedicated to the development of AI payloads, AI application satellites and AI computing satellites. The following diagram illustrates the five iterations of our AI payloads as of the Latest Practicable Date:




We launched our first AI application satellite in December 2018 and our first AI computing satellite in February 2024. Equipped with AI payloads, our AI application satellites offer AI-driven data analysis and computing for its own operations, with enhanced remote sensing and data processing capabilities. Our AI computing satellites, on the other hand, leverage space-edge computing technology to deliver AI-driven remote sensing data analytics and algorithmic computing that support both their own operations and those of other spacecraft and ground applications. With XSD-15 launched in 2024, we have successfully completed the world's first technical validation of a large-scale AI model operating in orbit on satellites, solidifying our leading position in AI satellite technology, according to Frost & Sullivan.

We have also developed modular satellite platforms that enable rapid adaptation to diverse requirements through modular development and optimized AIT processes, allowing for efficient and customized satellite design. As of the Latest Practicable Date, we had jointly developed six conventional remote sensing satellites and one AI application satellite with our partners; we had also independently developed six AI payloads, four AI application satellites and four AI computing satellites. In addition, as of the Latest Practicable Date, we had successfully completed 13 space missions. In terms of the cumulative number of AI satellites launched as of the Latest Practicable Date, we ranked first among all private commercial aerospace companies in China, according to Frost & Sullivan.

Leveraging the advanced capabilities of our AI computing satellites, we are actively advancing the Star-Compute Project, seeking to create a space-based computing network consisting of 2,800 AI computing satellites. The Star-Compute Project will offer cost-effective, comprehensive and sustainable space-based computing resources. Once deployed, it will address the requirements of space-edge computing technology and specific specialized AI computing scenarios on the ground, facilitating the intelligent transformation. As of the Latest Practicable Date, the orbits and spectrum of the 2,800 AI computing satellites under the Star-Compute Project had been officially approved and announced by the International Telecommunication Union, marking a significant milestone in establishing our global presence and influence. As of the Latest Practicable Date, we had also secured orders for the R&D and production of 20 additional AI computing satellites, and had entered into launch service agreements for 12 of these satellites that we expect to launch in 2025. With such pipeline, we have become the pioneering commercial aerospace company globally to establish a space-based computing network with AI satellites according to Frost & Sullivan, highlighting our robust capabilities in the commercialization of AI satellite technology.

**Efficient Satellite-Based Solutions for Diverse Application Scenarios**

Leveraging our proprietary Lingjing Engine and remote sensing data collected from satellites, we swiftly transform satellite remote sensing data into high-precision 3D digital models. These models enable a wide range of industry applications, including space intelligence and computing services, digital city applications, urban governance and cultural, tourism, sports and gaming applications. Through automated spatial dimension enhancement based on the Lingjing Engine, we provide scalable, data-driven solutions that enhance decision-making, optimize resource allocation, and support digital and intelligent transformation across industries.

***Space Intelligence and Computing Services***. Using the Lingjing Engine, we have developed an efficient satellite digital twin system for a digital creative company. This system seamlessly integrates data, algorithms and computing power, enabling the rapid creation of 3D scenes in the metaverse. Its flexibility in supporting game development and cultural creative projects not only enhances the efficiency of content creation but also significantly reduces both modeling and computing costs.

***City Digital Twin Solutions***. We have delivered an advanced digital twin solution for a technology industrial park by integrating satellite remote sensing data, geographic information systems and building information modeling. This solution provides comprehensive visualization and streamlined management, improving the park's operational efficiency and enabling precise, data-driven decision-making.

***Comprehensive Urban Governance Platform***. We have designed an AI satellite-based intelligent governance platform for several local governments. By integrating satellite remote sensing, monitoring data and operational metrics, the platform offers advanced visualization and operational insights, significantly enhancing urban monitoring, grid management and governance efficiency.

***Culture, Tourism, Sports and Gaming Applications***. Our "Star Tour (星遊)" digital twin project offers immersive city exploration experiences. For example, our "Star Tour Qingdao (星遊青島)" application enables realistic and cost-effective 3D modeling of Qingdao, revitalizing cultural and tourism experiences with immersive city scenes. By delivering interactive experiences, our applications have unlocked new opportunities for brand promotion and tourism growth, showcasing the versatility of our satellite-based solutions.

**Advanced Lingjing Engine Enabling 3D Transformation of Satellite Remote Sensing Data**

Our proprietary Lingjing Engine is the first engine in the world to achieve cross-disciplinary integration of AI technology, satellite remote sensing technology and gaming aesthetics, according to Frost & Sullivan. We possess the industry-leading capability to independently develop AI satellites and advanced 3D modeling software systems, enabling cost-effective, efficient, high-quality and large-scale commercialization in wide-area 3D visualization.

When used in conjunction with AI application satellites, the Lingjing Engine effectively overcomes the limitations of conventional remote sensing satellites, which typically capture 2D remote sensing data that require extensive post-processing by end users to make them suitable for specific applications. In contrast, the 2D remote sensing data captured by our AI application satellites is highly reliable, detailed and clear, allowing for its efficient and cost-effective transformation into 3D imagery using AI algorithms through the Lingjing Engine. The resulting advanced 3D imagery is further processed by the Lingjing Engine and integrated into high-value satellite-based solutions, providing users with more precise spatial visualization to meet their specific requirements.

Based on satellite remote sensing data, the Lingjing Engine also supports automatic identification of a wide range of targets and the simultaneous acquisition of elevation data by utilizing AI algorithms, which enable large-scale and rapid city-level digital twin modeling. The resulting models can be seamlessly integrated with general game engines through game-style conversion and protocol compatibility, significantly lowering their usage threshold and expanding their potential applications. The large-scale city digital twin modeling using the Lingjing Engine has significantly improved processing efficiency per unit area while reducing costs compared to conventional methods, according to Frost & Sullivan. Additionally, the Lingjing Engine addresses the challenges associated with conventional methods, such as operational permits, flight safety concerns, limited coverage, inconsistent regulations and difficulties in timely updates and application expansion, making it better suited to meet both industry solutions and the market needs of individual customers. Since we introduced the Lingjing Engine at the World Internet Conference in November 2022, it has been widely applied across various application scenarios, including space intelligence and computing services, digital city applications, urban governance and cultural, tourism, sports and gaming applications. For example, the Lingjing Engine has been applied in industries such as gaming and cultural tourism, creating immersive and interactive experiences aligned with customer interests and industry trends. Additionally, we offer consumer-focused products such as the Star Tour, which utilizes the Lingjing Engine to incorporate features such as buildings, vegetation, roads, lakes, rivers and farmland and generate 3D models of real-world cities.

## Comprehensive Business Coverage Over Satellite Production, Management and Utilization, Providing Efficient and Integrated Products and Solutions

Our business operations span the entire satellite value chain from satellite production and management to utilization, allowing us to deliver comprehensive and high-quality satellite-based solutions tailored to diverse customer needs. By unifying satellite R&D, production, operation and satellite-based applications, we effectively coordinate technical resources to provide efficient, reliable and cost-effective services, ensuring a seamless and cohesive customer experience.

***Satellite Production***. We are one of the few commercial aerospace companies in China with full-spectrum capability for satellite R&D and production, according to Frost & Sullivan. Leveraging our in-house modular satellite platforms, we provide customized satellite design, component and subsystem development, assembly, integration and testing services based on customer requirements. Based on our robust satellite R&D and production capabilities, we launched our first AI application satellite in December 2018 and our first AI computing satellite in February 2024.

***Satellite Management***. Following satellite launch, we assist customers in transitioning to operational control of their satellites, providing corresponding satellite operation and control management system and services as well as comprehensive operational training. For customers opting for our operation and control management services, we continue to deliver proficient support to ensure consistent and optimal performance throughout the satellite's lifecycle.

***Satellite Utilization***. We offer customers satellite-based solutions that align with their specific requirements. Each satellite is customized for its intended use, and we continuously refine its functionality and data output based on customer feedback. This thorough and detailed approach provides customers with a reliable, precise and efficient user experience.

## Visionary Management with Innovative and Technology-Driven Corporate Culture

With a profound understanding of the commercial dynamics of the commercial aerospace and satellite industries, we are committed to leveraging advanced space technology as a cornerstone to drive market expansion and meet diverse customer needs. Our focus is on delivering more accessible and practical products and solutions that cater to a wide range of applications, ensuring our offerings remain relevant and valuable to customers.

Led by our visionary management team, we have assembled a highly skilled and experienced workforce with extensive industry experience from leading academic and research institutions, industry application units and internet technology companies. This unique blend of expertise enables us to integrate cutting-edge technological innovation with deep industry insights, fostering a collaborative environment that drives the commercialization of aerospace technology. Our team's collective experience and multidisciplinary capabilities are instrumental in achieving our strategic objectives, strengthening our competitive position and ensuring our ability to adapt to evolving market demand.

As our leader with a strong research and management background, Dr. LU Chuan ("Dr. Lu") founded our Company in 2018. Dr. Lu is a distinguished recipient of the National High-Level Talent Special Support Program (國家高層次人才特殊支持計劃入選者) and holds the position of senior engineer. With nearly 20 years of experience in AI, aerospace and communications engineering, he has received multiple provincial and ministerial awards. Our team is further strengthened by professionals with extensive experience from leading industry application units, such as our CEO, Dr. WANG Lei ("Dr. Wang"). With over 15 years' experience in space technology applications, investment and management, Dr. Wang has played a key role in satellite data utilization as a deputy researcher of the Ministry of Civil Affairs of the PRC (中華人民共和國民政部) ("MCA"). As the former Deputy Director of the Satellite Remote Sensing Department of the National Disaster Reduction Center (國家減災中心衛星遙感部) under the MCA. His practical insights into industry applications have enabled us to create tailored solutions that address the diverse needs of customers, ensuring that our technologies are both impactful and commercially viable.

In addition to academic and industry experts, we have attracted top talent from leading internet technology companies. These individuals bring expertise in cutting-edge AI algorithms, electronic information system design and product R&D, helping us refine our satellites and satellite-based solutions to align with customer demand and emerging market trends. Their contributions enhance our ability to deliver innovative, cost-effective and user-centric products and solutions, reinforcing our leadership in the satellite industry.

## OUR STRATEGIES

### Enhancing Economies of Scale and Improving Cost Efficiency to Advance the Star-Compute Project

We plan to continue to enhance economies of scale recognizing the growth potential of our industry. The market size of the satellite industry in China increased from RMB62.2 billion in 2019 to RMB80.3 billion in 2023 with a CAGR of 6.6%, and is expected to further grow at a CAGR of 26.8% to RMB262.7 billion in 2028 by revenue, according to Frost & Sullivan. In addition, in recent years, the Chinese government has actively promoted the growth of the satellite industry, leading to a significant increase in the number of satellites in orbit. According to the Union of Concerned Scientists Satellite Database, the quantity of in-orbit satellites developed and produced by Chinese companies increased from 323 as of December 31, 2019 to 623 as of May 1, 2023. Since 2027, due to the accelerated layout of LEO satellite constellations, the number of satellite launched in China is anticipated to experience a surge.

LEO satellites, a crucial infrastructure for the development of China's satellite industry, saw an increase from 236 as of December 31, 2019 to 508 as of May 1, 2023, with the proportion in the total number of satellites in orbit from 73.1% as of December 31, 2019 to 81.5% as of May 1, 2023.

In addition, AI satellites with onboard intelligent processing, in harmony with ground-based algorithms, facilitate space—ground coordinated operations. This enables intelligent satellite control, diverse data processing and improved satellite operation and maintenance, thereby enhancing operational efficiency. Moreover, the development of AI satellites and the Space—Air—Ground—Sea Integrated Network are expected to further fuel the growth of the satellite industry, particularly AI satellites. To capture industry opportunities, we plan to further strengthen our satellite production capabilities, continuously advancing the Star-Compute Project to establish a space-based computing network composed of 2,800 AI computing satellites. Leveraging such network, we aim to provide satellite-based solutions and offering operating services based on AI satellites, further reinforcing our market position and technical capabilities.

In addition, we plan to establish a center in Shenzhen (the "Shenzhen Center") that combines satellite R&D and production to expand our production capacity. Compared to our Chengdu AIT Center and Jiaxing satellite testing base, which are designed to support satellite R&D and production based on specific project requirements, the Shenzhen Center, upon the approval from the relevant authorities, will represent a strategic step toward the mass production of satellites, enabling us to scale our operations and meet growing market demand.

**Increasing R&D Efforts for AI Computing Satellites**

We plan to further enhance our R&D efforts in AI satellites, with a goal of making AI a core capability of our satellites rather than just a supplementary function, to fully support our Star-Compute Project. Through our in-house AI technologies and collaborations with leading universities and research institutions both domestically and internationally, we plan to continue building up our integrated satellite R&D and production capabilities, continuously developing key software and hardware technologies for our AI computing satellites.

We plan to upgrade the hardware of our AI computing satellites, including satellite computing payloads, computing chips, processors and sensors deployed on satellites, to handle complex AI computing tasks. Furthermore, we plan to enhance the operating systems of the AI computing satellites to improve the efficiency of command execution and strengthen capabilities in monitoring satellite status, managing onboard software, processing satellite remote sensing data and maintaining communication with ground stations. In addition, we will upgrade the satellite cluster operating system to optimize the management and coordination of multiple AI computing satellites within the configuration, enabling effective and efficient resource sharing, activity synchronization and intercommunication.

We plan to fully integrate the hardware and operating systems to enhance the operational capabilities and functionalities of AI computing satellites, offering customers more comprehensive, efficient and cost-effective satellite-based solutions. We plan to train AI algorithms and models on the ground before deploying them on AI computing satellites for space tasks. In addition, we plan to develop high-speed inter-satellite payloads, facilitating in-orbit data transmission and ensuring seamless connectivity between satellites to enhance our satellite-based solutions. Leveraging integrated satellite hardware and operating systems, well-trained AI algorithms and efficient inter-satellite data transmission and connectivity, our AI computing satellites will be able to process data in space and provide edge computing services for other spacecraft, such as other satellites with enhanced capabilities and functionalities.

In addition, we plan to leverage our accumulated satellite data to optimize satellite design, orbital positions and network architecture. For example, historical remote sensing data on atmospheric conditions, space weather and orbital debris can be used to design more robust satellite structures. Furthermore, we plan to analyze orbital data to optimize satellite deployment for improved network coverage. The continuous optimization of satellite design, orbital positions and network architecture empowers us to build and manage an AI computing satellite network, enhancing our ability to establish an integrated space—ground AI infrastructure and deliver advanced satellite-based solutions.

**Expanding and Exploring Satellite Application Scenarios**

We aim to further deepen our collaboration with customers. Leveraging our advanced technologies, we are well-equipped to deliver our satellite-based solutions that meet the diverse demands of our target markets, thereby increasing customer loyalty and forming long-term partnerships with customers. We plan to continue to utilize our AI computing satellites, advanced AI algorithms and Lingjing Engine to incorporate features such as buildings, vegetation, roads, lakes, rivers and farmland and generate 3D models of more real-world scenarios, such as cities, industrial parks and communities. We believe it will facilitate the urban planning, infrastructure development, environmental monitoring, and various other applications, thereby positioning us at the forefront of satellite applications. Through these initiatives, we plan to explore new market opportunities and driving sustainable growth.

In addition to strengthening existing relationships, we plan to explore new customer demand for our satellite-based solutions, leveraging our diverse satellite data. For example, we plan to upgrade the Star Tour, diversify their content and expand the market by introducing online modes, which will allow players to interact and collaborate via the internet to explore cities and landmarks in a multiplayer gaming experience within the metaverse. Additionally, we seek to develop educational courses and programs alongside our cultural and tourism application, the Star Tour, to provide students with a deeper insight into satellite technologies and products. These initiatives will include interactive experiences through products and services such as the gaming module "Leap Over the Moon (飛躍月球)," the brand marketing tool "Star Screen (星屏)," the aerospace science education program "Galactic Lighthouse (銀行燈塔)," the offline experience store "Star Space (星空間)" for individual customers and the sports application "Star Motion (星動)."

### Strengthening Strategic Cooperation, Supply Chain Integration and Business Synergy

We plan to strengthen strategic R&D collaborations with academic institutes and other commercial aerospace companies for sustainable technology innovations, empowering us to gain deep insights into industry trends and keep up with latest technologies. We have established collaborations with leading universities in Hong Kong, focusing on joint R&D of satellite technologies, such as production technologies, remote sensing technologies and satellite image processing technologies. These partnerships aim to foster innovation and advance research in satellite technology, leveraging the academic expertise and cutting-edge resources available at these institutions.

Additionally, we plan to further enhance supply chain integration and improve business synergy to maximize operational efficiency. We may consider potential acquisition and investment opportunities in this regard by carefully selecting upstream and downstream companies with complementary synergies, we aim to maximize the benefits of strategic partnerships. When assessing investment or acquisition opportunities, we focus on targets along our supply chain that offer business synergies, including those that may enhance our R&D and production capabilities or possess established expertise or customer bases in satellite-related applications. As of the Latest Practicable Date, we had not identified or pursued any strategic investment or acquisition targets, nor had we set any definitive investment or acquisition timeframe. Our goal is to integrate high-quality industry resources to strengthen our satellite R&D and production capabilities, enhance the competitiveness of our satellite-based solutions and improve our overall profitability and market influence, ensuring long-term sustainable growth.

### Continuously Attracting Talent for Technological Innovation

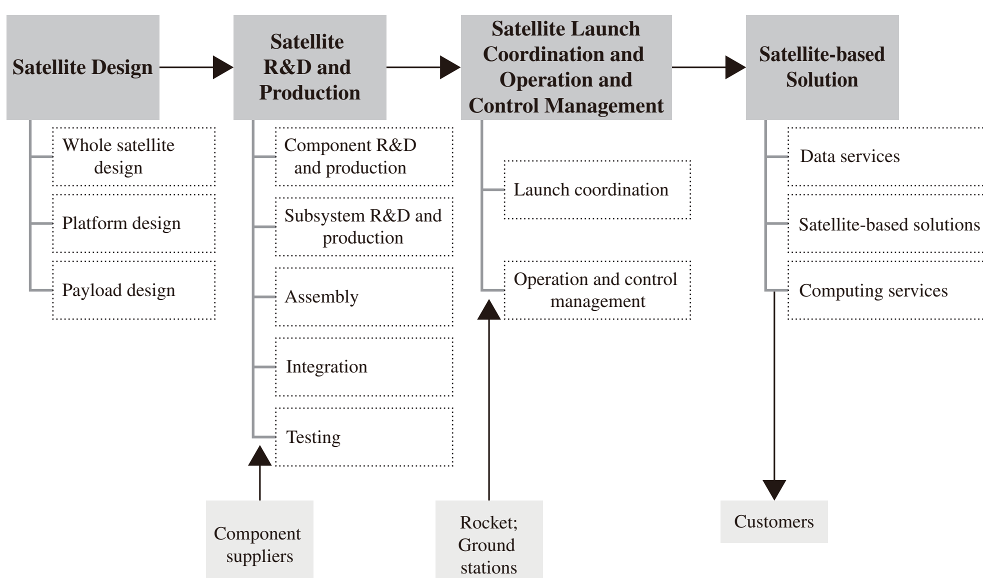
We believe that our industry thrives on advanced technology. To maintain our competitive edge, we adhere to a long-standing talent philosophy that emphasizes the importance of retaining a diverse talent pool. This pool comprises individuals with extensive experience from leading academic and research institutions, industry application units and internet technology companies. By doing so, we ensure that our team is equipped with a robust knowledge base in science and technology, deep industry insights and a comprehensive understanding of both existing and emerging application scenarios for our satellites. These employees play a crucial role in driving the R&D of our satellites and satellite-based solutions.

To attract and retain such skilled talent, we plan to establish clear career paths with well-defined roles and development potential. We intend to offer competitive remuneration packages, including salary, comprehensive benefits and performance incentives. Our corporate vision is also designed to resonate with the career aspirations and personal values of our employees, reinforcing their commitment to our mission. Furthermore, we intend to provide intensive employee training, thereby enhancing the professional competence of our workforce. By offering various development opportunities, we aim to support employees' career growth and ensure that they remain at the forefront of industry advancements.

## OUR BUSINESS MODEL

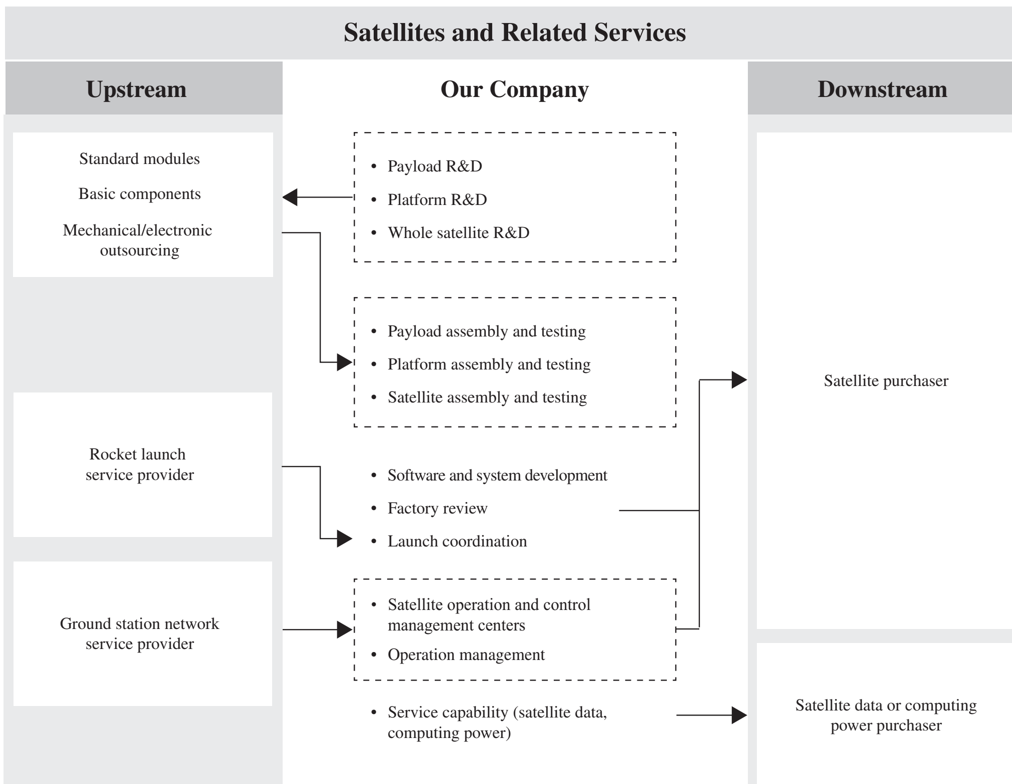
We have adopted an integrated business model encompassing every stage of a satellite's lifecycle, from satellite design, R&D and production, launch coordination and in-orbit operation and control management to satellite-based solutions. Our integrated business model ensures seamless functionality across all phases of satellite deployment and operation, enabling us to collect extensive, high-quality satellite data. This data serves as the foundation for delivering advanced satellite-based solutions, equipping our customers with the insights needed to make informed decisions and foster sustainable growth.

The following chart illustrates our integrated business model across the value chain of the satellite industry:



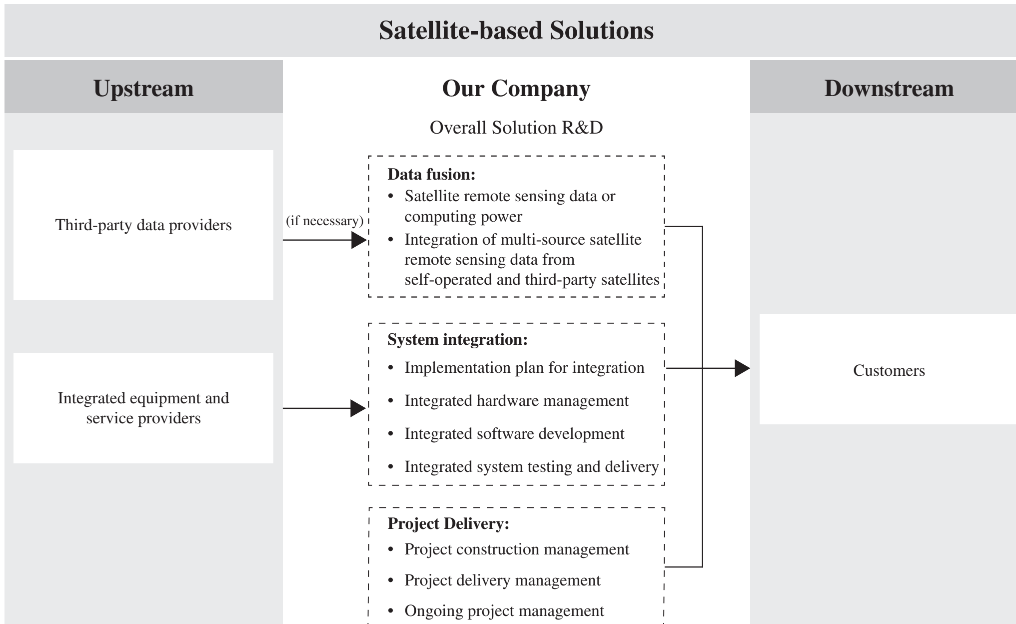
Our satellites and related services cover the entire satellite lifecycle, from payload, platform and whole satellite R&D, assembly and testing, launch coordination and on-orbit delivery to post-launch operation and control management. Our full-lifecycle services ensure customized satellite R&D, efficient satellite delivery and specialized satellite operation and control management, ensuring optimal performance and longevity of the satellites.

The following chart illustrates our business model for satellites and related services:




We also provide customized satellite-based solutions leveraging satellite remote sensing data and our proprietary Lingjing Engine. Through multi-source data fusion as well as system integration, we transform 2D satellite remote sensing data into high-precision 3D digital models that address various industry applications, such as space intelligence and computing services, digital city applications, urban governance and cultural, tourism, sports and gaming applications.

The following chart illustrates our business model for satellite-based solutions:




Through these two business lines, we serve a diverse customer base, including customers in sectors such as aerospace, electronic products and software development, digital cultural creativity content production and digital infrastructure and smart cities. Our integrated business model allows us to streamline operations, optimize efficiency and deliver innovative and tailored satellite-based solutions, reinforcing our position as a leading provider in the satellite industry.

## OUR PRODUCTS AND SOLUTIONS

We offer a comprehensive suite of products and services across two primary business lines, namely (i) satellites and related services and (ii) satellite-based solutions. Our satellites and related services cover the entire satellite lifecycle, including payload, platform and whole satellite R&D, assembly and testing, launch coordination, on-orbit delivery and operation and control management. Such services are supported by our robust satellite R&D and production capabilities underpinned by modular satellite platforms, AIT center and satellite testing base, which enable efficient and customized satellite R&D and production to meet the diverse needs of our customers. In addition, our satellite-based solutions leverage satellite remote sensing data and advanced AI algorithms through the Lingjing Engine to deliver customized applications such as high-precision 3D digital modeling of real cities. These solutions address critical needs in industries such as space intelligence and computing services, digital city applications, urban governance and cultural, tourism, sports and gaming applications, empowering our customers to make informed decisions and drive sustainable growth.

The following table sets forth a breakdown of our revenue by business line for the periods indicated:

| | Year ended December 31, | | | | Nine months ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2023 | | 2024 | |
| | Amount | % | Amount | % | Amount | % | Amount | % |
| | | | | | (Unaudited) | | | |
| | (RMB in thousands, except for percentages) | | | | | | | |
| Satellite-based solutions | 102,947 | 58.0 | 460,328 | 90.7 | 82,260 | 77.7 | 193,370 | 81.5 |
| Satellites and related services | 52,318 | 29.5 | 3,221 | 0.6 | 425 | 0.4 | 27,262 | 11.5 |
| Other services[1] | 22,156 | 12.5 | 43,992 | 8.7 | 23,236 | 21.9 | 16,647 | 7.0 |
| **Total** | **177,421** | **100.0** | **507,541** | **100.0** | **105,921** | **100.0** | **237,279** | **100.0** |

*Note:*

(1) Other services primarily include intelligent parking solutions and software and hardware agency services.

### Satellites and Related Services

Satellite and related services form the foundation our entire business. We develop, produce and sell customized satellites based on customers' specific requirements and specifications, while offering related satellite operation and control management for customers opting for our operational services. We primarily focus on the design, R&D and production of LEO satellites, particularly AI satellites. Our satellites generally have a lifecycle ranging from three to five years.

At our early stage of development, we have primarily focused on the in-house development of AI payloads to validate the application of AI technology in satellites operating within complex space environments. With a long-standing focus on AI satellite technologies, in 2018, we launched our first AI application satellite. Building on this achievement, we have been committed to expediting the transition from AI application satellites to AI computing satellites. In 2024, we launched our first AI computing satellite, completing the world's first technical validation of a large-scale AI model operating in-orbit on satellites, according to Frost & Sullivan.

We have extensive expertise in satellite R&D and production, offering end-to-end services that encompass payload, platform and whole satellite R&D, production, assembly and testing, launch coordination, on-orbit delivery and operation and control management. We have established the Chengdu AIT center and the Jiaxing satellite testing base, allowing us to develop and produce multifunctional satellites weighing less than 500 kg. As of the Latest Practicable Date, we had jointly developed six conventional remote sensing satellites and one AI application satellite with our partners; we had also independently developed six AI payloads, four AI application satellites and four AI computing satellites, allowing us to accumulate substantial satellite remote sensing data. In addition, as of the Latest Practicable Date, we had also secured orders for the R&D and production of 20 additional AI computing satellites, and had entered into launch service agreements for 12 of these satellites that we expect to launch in 2025. Our comprehensive capabilities and track record position us as a leader in the field of AI satellite R&D and production, enabling us to deliver reliable, high-performance solutions that meet the evolving needs of our customers.

The following table sets forth key information on each of the satellites we have developed that were in orbit as of the Latest Practicable Date:

| Name | Type | Launch Time | Feature(s)/Usage |
|---|---|---|---|
| XSD-10. . . . . | Conventional remote sensing satellite | July 3, 2021 | • Panchromatic/multispectral remote sensing |
| XSD-19. . . . . | AI application satellite | February 3, 2024 | • AI remote sensing<br>• Star Screen |
| XSD-20. . . . . | AI application satellite | February 3, 2024 | • AI remote sensing<br>• Star Screen<br>• Satellite—to—ground laser communication |
| XSD-18. . . . . | AI computing satellite | February 3, 2024 | • AI computing<br>• AI super-resolution |
| XSD-15. . . . . | AI computing satellite | September 24, 2024 | • AI computing<br>• AI large model algorithms<br>• 3D imaging capabilities |
| XSD-21. . . . . | AI computing satellite | September 24, 2024 | • AI computing<br>• AI large model algorithm<br>• Star Screen<br>• Inter-satellite laser communication |
| XSD-22. . . . . | AI computing satellite | September 24, 2024 | • AI computing<br>• AI large model algorithm<br>• Star Screen<br>• Inter-satellite laser communication |

***Conventional Remoting Sensing Satellites***

We have been developing conventional remote sensing satellites since our inception. Our conventional remote sensing satellites feature miniaturization, low weight, high resolution and multi-spectral imaging capabilities, which enhance the efficiency and versatility of our satellite services. The compact and lightweight design makes our conventional remote sensing satellites more cost-effective and easier to deploy. The high-resolution visible light, multi-spectral and hyper-spectral remote sensing payloads support a range of applications, including urban planning, ecological protection, and carbon neutrality. By utilizing conventional remote sensing satellites, we have accumulated a significant amount of remote sensing data, propelling the advancement of our satellite-based solutions. As of the Latest Practicable Date, we had jointly developed six conventional remote sensing satellites with our partners.

***AI Application Satellites***

We have developed AI application satellites by integrating AI payloads with AI algorithms into our satellite systems. Our AI application satellites offer AI-driven data analysis and computing services for its own operations, with enhanced remote sensing and data processing capabilities. These satellites can autonomously and efficiently execute high-intensity tasks such as remote sensing data analysis and intelligent decision-making in space. In addition, they can continuously update their onboard AI algorithms through in-orbit reconfiguration, improving performance and expanding application scope. As of the Latest Practicable Date, we had jointly developed one AI application satellite with our partner and independently developed four AI application satellites.

Our AI application satellites feature the following key characteristics:

*Enhanced Data Quality*. Due to variable and unpredictable weather conditions, some satellite remote sensing data may be of suboptimal quality and of limited use for satellite-based solutions. Our AI application satellites are capable of intelligently processing satellite remote sensing data and determining its validity to enhance data quality before transmission to ground stations. For example, our AI application satellites can automatically identify and discard images completely obscured by clouds, denoise images through our AI algorithms to maintain spectral consistency and improve image resolution.

*In-Orbit Decision Making*. Conventional remote sensing satellites need to transmit in-orbit satellite remote sensing data back to the ground, relying on ground-based data processing and analysis capabilities to make decisions. Our AI application satellites are equipped with in-orbit decision-making algorithms such as target recognition and mission assessment, enabling space-edge computing technology that allows for simultaneous imaging and decision-making, achieving swift decision-making. For example, when our AI application satellite captures images of a forest fire, it can determine in orbit that a fire has occurred at a specific geographic location and quickly transmit clear and simple information such as the fire alert and geographic coordinates back to the ground, without the need to send the complete satellite remote sensing data, thus speeding up the ground response to the fire.

*High Transmission Efficiency*. Our AI application satellites can identify invalid and low-quality remote sensing data in orbit, efficiently eliminate redundant data and compare current images with historical images from the same geographic location to identify unchanged data. Based on the mission configuration, our AI application satellites can selectively choose to forgo transmitting all or part of this data, focusing the transmission bandwidth on high-quality data. This approach conserves bandwidth and reduces power consumption for both the satellite and the ground station.

*Efficient Satellite Management*. Our AI application satellites integrate advanced machine learning algorithms, enabling them to make decisions and adjust functionalities for autonomous fault isolation. In addition, we can update the algorithms of the AI application satellites to meet the evolving needs of our customers. Compared to conventional remote sensing satellites, which are limited to executing pre-programmed algorithms and software after deployment, our AI application satellites can update their onboard AI algorithms through in-orbit reconfiguration, continuously improving their performance.

***AI Computing Satellites***

Building on the success of our AI application satellites, we have developed and deployed AI computing satellites in space by integrating AI payloads with AI computing power, which represents a significant advancement in space-based computing processing capabilities. Compared to AI application satellites limited to processing their own satellite remote sensing data, our AI computing satellites offer advanced AI-driven data analysis and computing services not only for themselves but also for other spacecraft and ground applications. As of the Latest Practicable Date, we had developed four AI computing satellites. In addition, as of the Latest Practicable Date, we had secured orders for the R&D and production of 20 additional AI computing satellites, and had entered into launch service agreements for 12 of these satellites that we expect to launch in 2025.

Our AI computing satellites feature the following key characteristics:

*High Computing Power.* Based on such advanced computing power capabilities, with XSD-15 launched in 2024, we have successfully completed the world's first technical validation of a large-scale AI model operating in orbit on satellites. The technical validation confirmed the model's operational adaptability to the space environment, reliability of the satellite platforms and the effectiveness of the in-orbit AI computing performance, solidifying our leading position in AI satellite technology. Our next generation AI computing satellites, expected to launch in 2025, are expected to reach one POPS per satellite in computing power.

*Low Cost*. Compared to conventional ground-based computing centers, which necessitate the construction of physical facilities, incur electricity costs and require data transmission to the ground for processing, our space-based computing network, comprised of AI computing satellites, is able to process data directly in orbit, thereby significantly reducing construction expenses. Furthermore, our AI computing satellites harness solar energy as a power source, eliminating the electricity costs typical of ground-based centers.

*Network Collaboration Capability*. Leveraging inter-satellite communication capability, our AI computing satellites have transcended the conventional single-operation mode, now offering advanced multi-satellite collaboration. In our Star-Compute Project, each AI computing satellite will function as a core computing node. Once networked, this will facilitate global computing capability and resource sharing, providing support for both our customers and our own satellite-based solutions.

Leveraging the advanced capabilities of our AI computing satellites, we are actively advancing the Star-Compute Project, seeking to create a space-based computing network consisting of 2,800 AI computing satellites. The Star-Compute Project will offer cost-effective, comprehensive and sustainable space-based computing resources. Once deployed, it will address the requirements of space-edge computing technology and specific specialized AI computing scenarios on the ground, facilitating the global intelligent transformation. This integrated network infrastructure will enable flexible allocation of computing resources and data transmission, addressing the growing business demand across different application scenarios.

**Satellite-Based Solutions**

Based on our extensive capabilities in satellite R&D and production, we provide customized satellite-based solutions leveraging satellite remote sensing data and AI algorithms supported by both our space- and ground-based infrastructure. We acquire satellite remote sensing data from both our self-operated satellites, satellites we sold to customers for which we retain data ownership or data access pursuant to our data sharing agreements, or from third-party data providers. Using our proprietary Lingjing Engine that enables multi-source data fusion and data processing, we transform satellite remote sensing data into high-precision 3D digital models for diverse application scenarios. With solutions tailored to meet the specific needs of industries such as cultural tourism and city governance, we empower our customers to optimize operations, enhance decision-making and unlock new opportunities for growth.

The following sets forth the primary application scenarios of our satellite-based solutions.

*Space Intelligence and Computing Service*

A listed company in China's digital creative industry aimed to integrate advanced metaverse technology into its business development. To address its specific needs in areas such as game mapping, cultural creativity and film scene production, we have delivered an integrated satellite digital twin system. This system incorporates satellite remote sensing data, algorithms and computing power. It provides unified management and scheduling of computing resources for the customer's AI algorithm development, application and asset management. Additionally, it enables the swift creation of 3D metaverse scenes for the customer.

Our solution allows the customer to use minimal satellite remote sensing data to quickly create 3D visual scenes in the metaverse. This facilitates the realistic depiction of natural and cultural landscapes within the gaming environment, enhancing the game's authenticity and immersion while providing players with a unique cultural experience. Moreover, our solution substantially lowers the customer's costs associated with virtual reality modelling and computing power, speeding up their content development process. This enables them to respond more rapidly to market demands and maintain a competitive advantage.

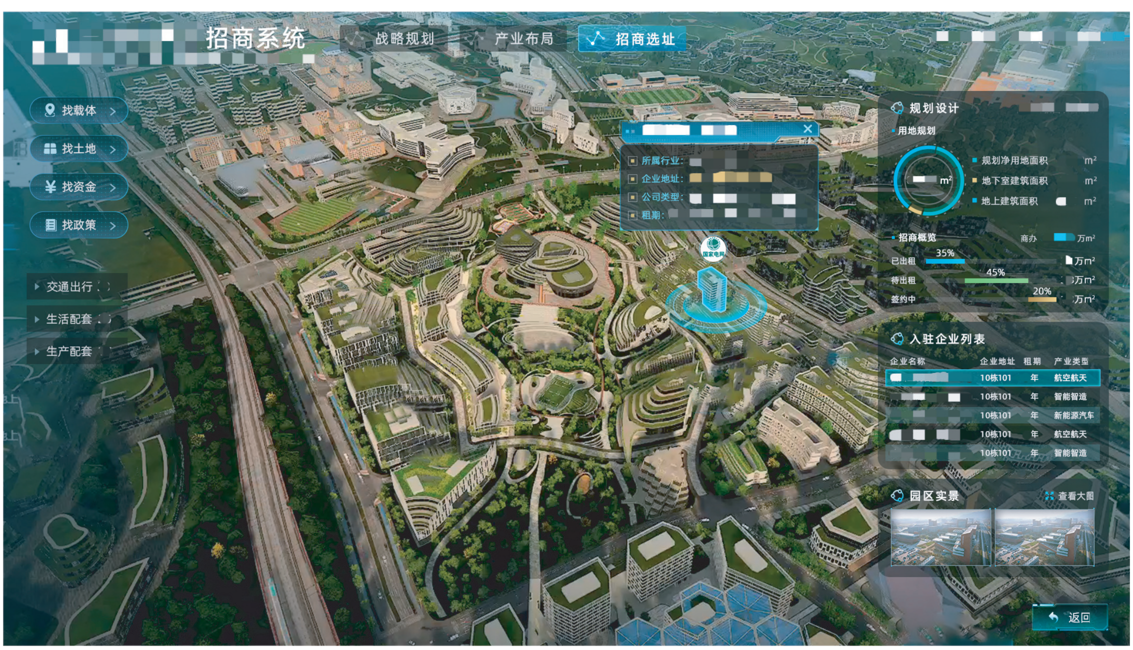
The following picture presents the 3D visual scene we constructed in the metaverse:

*City Digital Twin Solutions*

An industrial operations company, affiliated with a provincial capital city government, has launched a project to comprehensively plan and manage a leading technology industrial park. We have delivered a digital twin solution based on the 3D digital model of the technology industrial park. Utilizing the Lingjing Engine, we integrated the industrial park's business data with various other data sources, such as geographic information, remote sensing data and building information modeling and civil information modeling data, presenting them in a visual format. This integration enhances the customer's decision-making capabilities. Large-scale city digital twin modeling using the Lingjing Engine has significantly improved processing efficiency per unit area while reducing costs compared to conventional methods, according to Frost & Sullivan.

We were the first commercial aerospace company in the world to use space technology to construct 3D digital models and offer digital twin solutions, according to Frost & Sullivan. This innovation enables us to deliver unique value to our customers, assisting them in achieving exceptional results in the development of technology industrial parks.

The following picture presents the 3D digital model of a technology industrial park we constructed:



*Comprehensive Urban Governance Platform*

We have created an advanced smart management platform for comprehensive urban governance across various city departments. This platform seamlessly integrates satellite remote sensing with multi-source and multi-dimensional data, including urban governance grid data, video surveillance and business information. Through unified visualization and precise analysis and management, it achieves "one-map presentation," "unified network management" and "3D comprehensive command." This innovative platform provides robust digital and visual support for comprehensive governance at all city levels, forming a standardized solution.

Our platform facilitates the unified collection, aggregation and management of data, establishing connectivity and sharing within the comprehensive governance information database. This significantly enhances the efficiency of multi-department collaboration, addressing current challenges of data silos and low collaboration efficiency in grassroots governance. By constructing and improving an integrated sky-ground sensing network and utilizing satellite remote sensing data access, it significantly broadens the scope of urban monitoring services and extends the perceptual boundaries of smart cities.

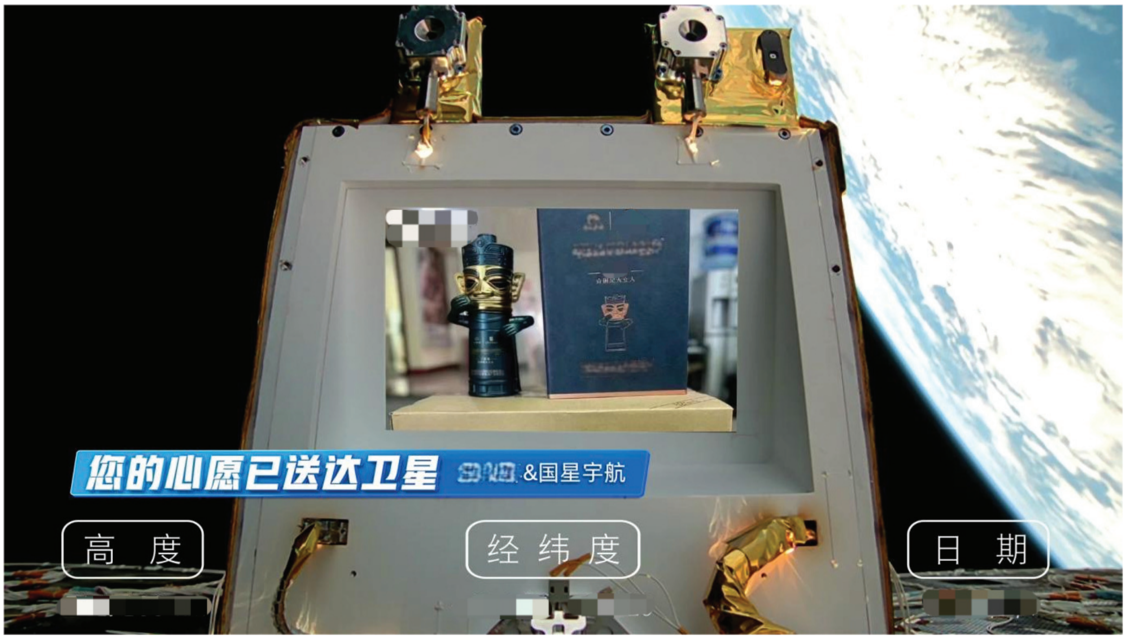
In addition, the platform optimizes workflows and information circulation, reducing the burden on grassroots operations. In the complex and intertwined scenarios of street governance, it establishes a system for task assignment, event handling with timely feedback and logging statistics through information technology, addressing issues of slow and singular information flow. This not only reduces the investment of manpower, materials and financial resources but also enables managers to monitor street governance in real time, meeting the needs of refined management.

The following picture presents the smart management platform for comprehensive urban governance we created:


*Culture, Tourism, Sports and Gaming Applications*

Leveraging our AI satellite technology, we partnered with a renowned Chinese baijiu company to execute innovative marketing campaigns during the 2024 Spring Festival and the 2024 "618" shopping festival. In January 2024, we collaborated with this prominent baijiu company to launch a "New Year Interactive Campaign," using our "Xingping (星屏)" technology to create unique space advertising content. This initiative supported the sales of its new products and invited the public to share New Year wishes and blessings. For the 2024 "618" shopping festival, we utilized our Lingjing Engine to quickly establish a virtual 3D metaverse museum for the baijiu company, aimed at engaging consumers.

The following picture presents the space advertising content leveraging our "Xingping" technology:




Leveraging our Lingjing Engine, we generate 3D model data that encompass key elements such as buildings, vegetation, roads, lakes, rivers and farmland, forming the foundational base for the model of the city. By incorporating refined models of specific locations, scene enhancements and interactive mini-games, we have developed a comprehensive software and hardware product named Star Tour, which offers an immersive VR experience of 3D cityscapes. During the May Day holiday in 2024, we launched Star Tour Qingdao, the world's first satellite cultural tourism digital twin terminal product, at venues such as the Qingdao Film Museum, allowing hundreds of families to appreciate Qingdao's authentic scenery from various aerial perspectives.

The following picture presents the scene of our Star Tour:

**Other Services**

During the Track Record Period, we provided certain other services, primarily including intelligent parking solutions and software and hardware agency services. These services encompassed the provision of new energy intelligent charging terminals and supporting facilities, the development of information systems, network systems and management systems, as well as the resale of software and hardware.

## OUR TECHNOLOGIES

With years of dedicated R&D, we have developed expertise in satellite R&D and production and satellite-based solutions. Our core technologies include AI application satellite R&D and production technology adapted to the space environment, which is able to deliver exceptional reliability and precision for satellite remote sensing data processing, analysis and decision-making directly in a space-specific environment. We have also developed modular satellite platforms that support rapid customization, significantly reducing development time and costs while addressing diverse customer needs. Additionally, leveraging our proprietary Lingjing Engine, we have achieved automated spatial dimension enhancement for remote sensing imagery, transforming 2D satellite imagery data into highly detailed 3D digital models. Furthermore, we have successfully developed AI computing satellite R&D and production technology based on a high-power flat-panel satellite platform. These cutting-edge technologies enable us to provide innovative and cost-effective products and solutions for our customers.

### AI Application Satellite R&D and Production Technology Adapted to the Space Environment

We have undertaken adaptive satellite design for the space environment, including thermal design, radiation-resistant design, mechanical adaptability design and redundancy design. To address the issue of high temperature rise rates and operating temperatures of devices in space, we have introduced high heat capacity phase change energy storage modules and rapid thermal exchange technology for satellites. This actively controls the operating temperature of devices, ensuring that chips operate within an appropriate temperature range throughout the orbital cycle, thereby maintaining high-performance operation. Radiation hardening measures have been implemented for core chips to adapt to the effects of space radiation and high-energy particles on device logic and operational states. Finite element simulation is used for optimizing mechanical properties, fully assessing the impact of mechanical vibrations and noise during launch, and these are thoroughly tested through vibration and noise tests. By employing multi-mode redundancy and distributed storage technologies, combined with AI intelligent fault handling algorithms embedded within the system, we eliminate single points of failure and provide system fault tolerance. Logic algorithms such as ECC verification are used to achieve automatic identification and processing of operational data. A distributed computing power management system is deployed to balance and schedule computing power usage in real time, effectively improving energy efficiency while ensuring the longevity of each module.

The AI payload hardware primarily adopts a heterogeneous architecture design of FPGA+GPU. The FPGA is mainly used for payload telemetry and control, payload data preprocessing, data transmission and AI algorithm reconstruction, while the GPU provides high-density AI computing power and loads various AI algorithms with different functions. Our AI payload hardware also includes various communication interface protocols and driver functions for different satellite platforms, including TLK2711, GTX, CAN, RS422 and LVDS, and has onboard storage capabilities.

The AI payload software includes FPGA software, GPU software and AI algorithms. The FPGA software responds to relevant control commands from the satellite's integrated electronic system, enabling functions such as high-resolution satellite remote sensing data transmission, telemetry and control and AI algorithm reconstruction data transmission. The GPU software operates in a multithreaded concurrent mode, divided into modules such as UART processing, PCIE processing, AI processing and NVME read/write. The AI algorithms encompass a range of functions, including CCD inter-chip stitching, image segmentation, radiometric correction, band registration, image fusion, cloud detection, target recognition and super-resolution. In addition, our in-orbit AI algorithms enable up to fourfold super-resolution of satellite imagery, significantly enhancing image clarity, detail and overall data quality.

**Rapid Satellite Customization Based on Modular Satellite Platforms**

Our satellite development capabilities integrate satellite R&D, production, assembly and testing. The production cycle of our customized satellite was generally six to nine months. See "— Integrated Satellite R&D and Production Model — Satellite R&D and Production Capabilities — Satellite Assembly, Integration and Testing."

For satellite R&D, we have developed a series of modular satellite platforms designed to support standardized and customized satellite development. These platforms are categorized by distinct satellite functionalities and usage, including the low-cost scientific platform, the rapid-response verification platform, the agile maneuverable platform, the integrated sensing and computing platform and the high-power flat-panel platform. Each platform is designed with a modular approach, utilizing standardized components and optimized AIT processes. This enables rapid and cost-effective satellite customization, significantly reducing both development time and costs while providing flexibility to address the specific requirements of our customers across industries.

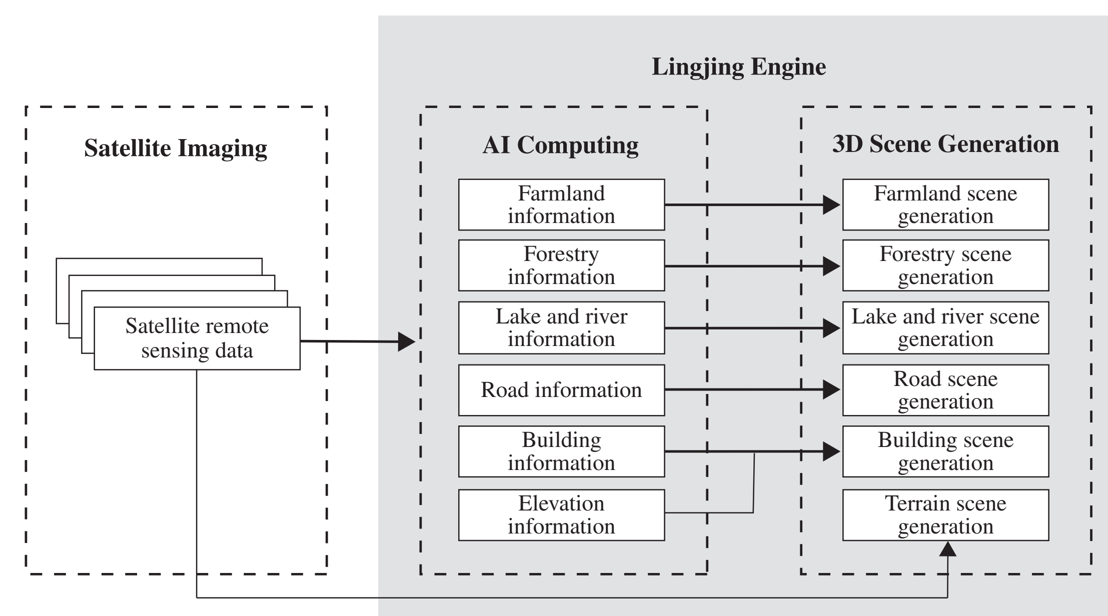
For satellite assembly and testing, we have established an AIT center in Chengdu and a satellite testing base in Jiaxing that support our satellite R&D and production capabilities. Our satellite testing capabilities are built on standardized designs for telemetry and remote control interfaces, ensuring coordination between onboard satellite software, satellite telemetry and control systems (in-orbit command and control centers), and integrated testing systems. Through intelligent automation, we have significantly achieved the improvement in testing efficiency.

In addition, we have built a robust intellectual property portfolio, comprising 104 patents covering critical areas including satellite platforms, communication units, energy systems, de-orbiting mechanisms, solar wings and imaging sensors as of the Latest Practicable Date, forming a comprehensive protection system across whole satellites, subsystems and standalone components. This in-house intellectual property foundation supports our continued innovation and ensures industry-leading performance. Our platform-based approach to satellite customization, supported by advanced AIT capabilities and a comprehensive intellectual property portfolio, enables us to deliver cost-effective, reliable and high-performance satellites tailored to our customers' needs.

**Automated Spatial Dimension Enhancement for Remote Sensing Imagery Based on the Lingjing Engine**

Our proprietary Lingjing Engine, an advanced ground-based infrastructure, integrates AI technology, satellite remote sensing and multi-source data fusion to produce high-precision 3D digital models of real cities. As the first engine in the world to achieve cross-disciplinary integration of AI, satellite remote sensing and gaming aesthetics, according to Frost & Sullivan, the Lingjing Engine addresses key challenges in processing satellite remote sensing data by harmonizing inconsistencies and accurately extracting features such as elevation, buildings, vegetation, road networks, rivers and lakes.

The chart below illustrates our process from satellite remote sensing data acquisition to the generation of a 3D model using the Lingjing Engine:



The Lingjing Engine operates at a highly efficient rate, generating 3D city models at one square kilometer per minute to ensure smooth scene transitions and visual continuity. Compared to conventional techniques used in generating 3D models, it offers significantly lower costs and shorter processing times while maintaining comparable quality, according to Frost & Sullivan. Our advanced AI algorithms enhance satellite imagery resolution, identify changes in spatial environments and enable seamless transitions from 2D satellite imagery to dynamic 3D models.

Our Lingjing Engine is widely applied across various industries. Leveraging AI-powered remote sensing data processing and procedural generation, the Lingjing Engine efficiently interprets ground objects and constructs digital surface models with refined urban scene elements, such as buildings and roads. These capabilities make the Lingjing Engine a preferred solution for creating cost-effective 3D models, supporting diverse applications in urban planning and infrastructure development.

**AI Computing Satellite R&D and Production Technology Based on High-Power Flat-Panel Satellite Platform**

To meet the specific needs of our AI computing satellites, we developed the high-power flat-panel satellite platform. This platform ensures the electrical power supply requirements of AI computing satellites, making it more suitable for launching multiple satellites with a single rocket facilitating formation of space-based computing network. Compared to the complex 3D structure of conventional satellites, the regular shape and simple structure of the flat-panel configuration are able to facilitate the establishment of unified R&D standards and production specifications, thereby laying the groundwork for mass production.

The high-power flat-panel satellite platform utilizes high-performance carbon fiber composite materials, reducing structural weight while enhancing mechanical properties. Through comprehensive modeling and mechanical analysis, it minimizes structural redundancy while satisfying strength and stiffness requirements. The foldable solar wing design maximizes panel area and charging efficiency, while simplifying the structural system. The flat-panel configuration improves the satellite's heat dissipation efficiency and significantly reduces its mass, material consumption and launch costs.

Moreover, we have developed an integrated computing system that pools satellite computing capabilities and resources. On the hardware side, we utilize off-the-shelf high-performance computing modules with redundant backup design to achieve high reliability and low cost. On the software side, we employ time-sharing and partitioning methods, with the capability to host a cloud operating system. This approach effectively addresses the migration, adaptation and testing validation of satellite operation and control management tasks within a time-sharing system. In addition, we have introduced an integrated payload-platform thermal design, combining the payload's thermal dissipation structure with the satellite platform to reduce thermal dissipation challenges, lighten overall satellite weight and lower comprehensive costs, focusing on solving issues such as lightweight thermal bracket design.

## INTEGRATED SATELLITE R&D AND PRODUCTION MODEL

We are one of the few commercial aerospace companies in China with full-spectrum capability for satellite R&D and production, according to Frost & Sullivan. We were also the earliest commercial aerospace company in China to develop, produce and launch AI application satellites and AI computing satellites, according to Frost & Sullivan. Our satellite operations employ an integrated model that seamlessly combines satellite R&D and production to address the specialized customization needs of the industry. Compared to conventional models that separate these processes, our approach ensures closer alignment between R&D and production, enabling us to effectively translate R&D outputs into high-quality and tailor-made products while maintaining production efficiency. In addition, as we operate under a project-based business model, we currently employ a flexible production strategy tailored to the specific requirements of each project supported by our Chengdu AIT center and Jiaxing satellite testing base. Compared to industries engaged in mass production, there is no meaningful measure of the production capacity of our Chengdu AIT center and Jiaxing satellite testing base.

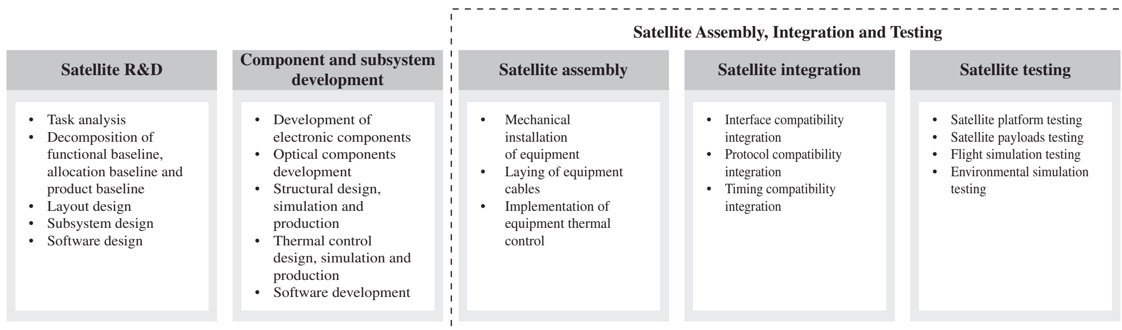
The complexity of satellite R&D and production requires expertise across multiple disciplines, such as orbital dynamics, materials science, electronics and mechanical engineering, each presenting significant technical requirements. Satellites are also subject to stringent requirements for precision, reliability and durability, necessitating meticulous design and limiting the feasibility of mass production. Additionally, the R&D and production process involves extensive validation and testing protocols, including thermal vacuum, vibration and electromagnetic compatibility tests, all of which require advanced equipment and specialized infrastructure. Our integrated model addresses these inherent challenges by ensuring seamless communication and coordination across all stages of satellite R&D and production. This approach not only reduces inefficiencies and risks associated with conventional segmented processes but also ensures that each satellite meets the rigorous technical and operational standards required for its intended mission. Through this model, we deliver high-performance and mission-specific satellites that meet the specific requirements of our customers.

### Satellite R&D and Production Team

We have assembled a satellite R&D and production team with extensive industry experience in leading academic and research institutions, industry application units and internet technology companies. This unique blend of expertise enables us to integrate cutting-edge technological innovation with deep industry insights, fostering a collaborative environment that drives the commercialization of aerospace technology. As of September 30, 2024, our R&D and production team comprised 193 employees, with over 85% of them holding a bachelor's degree and above, among which, our satellite R&D and production team comprised 119 employees, with over 90% of them holding a bachelor's degree and above. In addition, we have instituted a thorough internal talent development system, providing regular training and establishing an R&D knowledge-sharing mechanism for employees at all levels.

## Satellite R&D and Production Capabilities

We have established robust satellite R&D and production capabilities encompassing end-to-end R&D and AIT processes, ensuring high-quality and efficient satellite R&D and production. The overall R&D and AIT process for our satellites typically takes six to nine months. The following diagram sets forth the key steps of our satellite R&D and production process:




### *Satellite R&D*

The satellite R&D stage comprises several critical phases to ensure a comprehensive and effective design process. We begin by the task analysis to thoroughly understand and define the satellite project. We decompose the functional baseline, allocation baseline and product baseline, breaking down the overall system into manageable components and establishing clear specifications for each element. Our layout design involves planning the spatial arrangement of components to optimise the functionality and efficiency of our satellites. Subsystem design focuses on developing the individual subsystems that will collectively form the satellite. Software design is undertaken to create the necessary software systems that will control and operate the satellite, integrating seamlessly with the hardware components to achieve the desired performance outcomes.

To meet the diverse needs of our satellites, we have developed a series of modular satellite platforms. For our conventional remote sensing satellites, we developed low-cost scientific platform for medium to high optical resolution and technical verification needs of universities and non-aerospace entities, and rapid response verification platform for high-resolution imaging and satellite component testing. For our AI application satellites, we developed agile maneuverable platform for 3D attitude maneuver imaging and high-resolution imaging, and integrated sensing and computing platform for constellation networking with inter-satellite laser and microwave communication. For our AI computing satellite, we developed high-power flat-panel platform. See "— Our Technologies — AI computing satellite R&D and production technology based on the high-power flat-panel satellite platform."

***Component and Subsystem Development***

Our modular satellite platform is built on a standardized architecture that integrates key subsystems, including structural, thermal control, integrated electronics, telemetry, power and Attitude and Orbit Control ("AOCS") subsystems. This architecture provides a unified foundation for our platform R&D. The R&D process combines autonomous modularization, where critical components such as integrated electronics, power conditioning and distribution units and AI payloads are independently developed, with standardized component selection for elements such as attitude control modules and propulsion systems. This dual approach ensures flexibility in subsystem integration while reducing procurement costs and development timelines, forming the basis for efficient satellite customization and scalability.

The following outlines the key subsystems that comprise our standardized satellite platform architecture:

*Structural Subsystem*. The structural subsystem provides structural support for our satellites and ensures that all hardware and software components withstand the harsh conditions during launch and maintain stability in space, serving as the backbone of the satellites.

*Thermal Control Subsystem*. The thermal control subsystem safeguards instruments from thermal damage through the use of insulation materials and heat exchange systems. It utilizes AI algorithms to efficiently manage the satellite's thermal control energy consumption, optimizing energy distribution across various modes. This approach maximizes the utilization of the satellite components' inherent heat generation and exposure areas to balance onboard temperature requirements, thereby maintaining thermal equilibrium amidst the extreme temperature fluctuations in space.

*Integrated Electronics Subsystem*. The integrated electronics subsystem consists of electronic hardware that facilitates data processing and communication interfaces for our satellites. This typically includes on-board computers, data storage systems, transponders and processing units. Leveraging our AI algorithms, it is seamlessly integrated with the satellite operations module, allowing for dual modes of autonomous management and ground control. In addition, it incorporates a satellite-ground digital twin model to synchronize data and algorithms with ground stations.

*Telemetry and Transmission Subsystem*. The telemetry and transmission subsystem enables communication between the satellite and ground stations, facilitating data transmission and the receipt of ground control commands, ensuring seamless control and monitoring of satellite operations. By optimizing data volume and data priority through AI algorithms, our telemetry and transmission subsystem enhances the efficiency of remote sensing, tracking and command operations.

*Power Subsystem*. The power subsystem comprises solar panels and batteries. AI algorithms optimize satellite power management, allowing for high-current charging and discharging, battery pack balancing and precise energy allocation, ensuring a continuous and reliable power supply for our satellites.

*AOCS*. The AOCS controls our satellites' attitude and their position in orbit. During standard orbital operations, the AOCS allows the satellite to counteract various disturbance torques with a capability of swift attitude maneuvering. With such operational agility, our satellites can adapt to changes in customers' demand, the space environment and the mission objectives. Such agility also allows our satellites to form or change constellations for collaborative operation. Our AI capabilities further enhance our AOCS subsystem through autonomous fault detection and correction. Our AI algorithms optimize fuel consumption for attitude adjustments, predicting and mitigating the effects of external forces such as solar radiation and micro-meteoroids. In addition, our machine learning technologies enable more precise attitude and orbit control over time. These enhancements result in higher quality data capture and improved operational efficiency, which are essential for satellite-based solutions and extended satellite life.

In addition, our modular satellite platforms incorporate advanced satellite software. Our satellite software is categorized into three key areas:

*Intelligent Control Software*. The intelligent control software includes multi-task scheduling operating systems, high-stability attitude control software, high-precision orbit maintenance and phase adjustment software, autonomous energy and thermal management software and intelligent multi-cycle operational logic control software.

*AI Computing Software*. The AI computing software features standardized AI algorithm migration interfaces, containerized AI algorithm images and in-orbit cloud computing and service system deployment.

*AI-empowered Application Software*. The AI-empowered application software supports advanced functionalities such as data parsing, CCD image stitching, remote sensing data segmentation, radiometric correction, band registration, image fusion, cloud detection, object recognition and super-resolution imaging.

Furthermore, our satellite telemetry and control systems are equipped with autonomous mission analysis software, mission planning software, intelligent remote control software, automated telemetry interpretation software, ground transmission systems and precise orbit determination software. These systems ensure comprehensive mission planning, control and precise orbit adjustments.

### *Satellite Assembly, Integration and Testing*

Our satellite production follows the AIT processes for each modular platform, ensuring controlled development time, processes and quality. We adhere to standardized procedures for the satellite assembly, integration and testing as follows:

*Assembly*. During the assembly stage, we assemble satellite components and payloads, including mechanical installation and cable laying, in accordance with design specifications to construct a complete satellite platform mechanical structure.

*Integration*. During the integration stage, we ensure seamless operation by integrating interfaces, protocols, timing and other subsystems and components to guarantee compatibility and coordination of all satellite functions.

*Testing*. During the testing stage, we perform thorough tests and inspections, such as platform testing, payload testing, simulated flight testing and environmental simulation testing on the assembled and integrated satellite. This ensures that our satellite complies with technical standards and that the satellite's performance meets design specifications and mission requirements. In addition, our integrated satellite testing system facilitates end-to-end testing, from satellite development to launch. It enables automated data acquisition, storage, interpretation and fault detection, supported by AI model training for on-orbit fault detection. This capability ensures high reliability and efficiency throughout the satellite's life cycle, ensuring satellite testing and operational performance. Through intelligent automation, we have significantly achieved the improvement in testing efficiency.

## Satellite R&D and Production Facilities

As we operate under a project-based business model, we currently employ a flexible production strategy tailored to the specific requirements of each project supported by our Chengdu AIT center and Jiaxing satellite testing base. Compared to industries engaged in mass production, there is no meaningful measure of the production capacity of our Chengdu AIT center and Jiaxing satellite testing base.

Our Chengdu AIT center commenced operations in 2021. In addition, we operate a satellite testing base in Jiaxing, Zhejiang Province, which commenced operation in 2024. Together, the Chengdu AIT center and the Jiaxing satellite testing base allow us to develop and produce multifunctional satellites weighing less than 500 kg.

Moreover, we are actively expanding our satellite R&D and production capacities by acquiring a parcel of land in Shenzhen in January 2024 with an aggregate GFA of approximately 30,828 sq.m., which was in the process of construction design as of the Latest Practicable Date. Compared to our Chengdu AIT Center and Jiaxing satellite testing base, which are designed to support satellite R&D and production based on specific project requirements, the Shenzhen Center, upon the approval from the relevant authorities, will represent a strategic step toward the mass production of satellites, enabling us to scale our operations and meet growing market demand.

### Machinery and Equipment

Our production machinery and equipment are essential for enhancing satellite quality and cost competitiveness. We constantly upgrade our machinery to improve our production efficiency. We perform routine and preventative maintenance on our production machinery and equipment to ensure that they function properly at all times and comply with relevant laws and regulations. We strive to stay at the forefront of technological advancements in production. We constantly introduce advanced production equipment and optimize our production technologies to improve product quality and enhance production efficiency. The key equipment used in production primarily includes (i) experimental equipment, such as thermal vacuum environment test systems, vibration test systems, magnetic test systems and high and low temperature test systems; (ii) testing equipment, such as attitude control simulators and energy simulation arrays; and (iii) process equipment, such as satellite flipping devices and satellite deployment trusses.

### Quality Control

We have established a quality control system encompassing production process and technology control, production machinery inspection and testing methods evaluation. In particular, we have implemented product and process monitoring and measurement control procedures, covering raw materials, components, work-in-progress and finished product, to ensure compliance with inspection standards or test specifications. We have established a full set of quality control standards and methods for compliance with requirements of the satellite industry. We have also obtained ISO 9001 certification for our quality management system.

For each project, we have a team with expertise in quality control which is responsible for the overall quality management of our R&D and production process. In addition, we have comprehensive policies and detailed procedures in place to ensure the quality of the components and raw materials we purchase from suppliers, such as screening prior to engaging new suppliers and conducting evaluations of their performance and the quality of the raw materials supplied by them. We have implemented a comprehensive supplier management system that defines the admission of suppliers and management of qualified suppliers to ensure the efficiency of our supplier management. See "— Our Suppliers — Procurement."

During the Track Record Period, we did not encounter any material quality problems, nor did we experience any supply shortages that materially and adversely affected our business, financial condition or results of operations.

**R&D Collaborations**

During the Track Record Period, while we had the capability to independently develop AI satellites, we occasionally engaged collaborated with third parties for R&D to maintain our competitiveness in the satellite industry.

We engage in strategic R&D collaborations for sustainable technology innovations with academic institutes and other commercial aerospace companies, empowering us to gain deep insights into industry trends and keep up with latest technologies. For example, in November 2024, we initiated the Star-Compute Project and entered into joint R&D collaboration with a number of companies, universities and research institutions, to promote the development of the Star-Compute Project by harnessing the collective expertise and resources of all involved parties. In addition, we have also established collaborations with leading universities in Hong Kong, focusing on joint R&D of satellite technologies, such as production technologies, remote sensing technologies and satellite image processing technologies. These partnerships aim to foster innovation and advance research in satellite technology, leveraging the academic expertise and cutting-edge resources available at these institutions.

We have also entered into a R&D framework agreement with a third-party technology service provider for its R&D services of AI computing modules. The salient terms of such collaboration agreement are set forth below:

- ***Duration***. One year.

- ***Rights and Responsibilities***. We agree to procure AI computing module development services and related software from our technology service provider. We are responsible for timely payment of the service fees. If we fail to make the payments as agreed, the technology service provider has the right to suspend services until the fees are settled. The technology service provider is obliged to accept our feedback and oversight, promptly informing us of any significant issues. Furthermore, the technology service provider must deliver quality after-sales service and support, and assist us in addressing customer complaints concerning the AI computing modules and related software.

- ***Intellectual property***. Once we settle the payment, we obtain a non-exclusive and non-transferable right to use the intellectual property of the R&D results, restricted to mainland China.

- ***Termination***. The agreement may be terminated (i) by mutual consent, (ii) in the event of a material breach by either party, or (iii) if, following a written reminder, either party fails or refuses to fulfil its contractual obligations without a reasonable excuse within ten days.

- ***Confidentiality***. All confidential information provided by either party shall be used solely for cooperation purposes pursuant to the agreements and shall generally not be disclosed to any third party.

## LOGISTICS AND INVENTORY MANAGEMENT

We engage qualified third-party logistics service providers to deliver satellites from our warehouses to locations specified by customers or the launch service providers. We set stringent standards for the transportation of our products, which third-party logistics service providers are required to follow. We also evaluate the providers on their compliance and performance to ensure smooth delivery to our customers.

Under our business model, we primarily adopt a sales-driven procurement approach and generally will not store excessive inventory. Our inventories consist of work in progress and finished goods. As of December 31, 2022 and 2023 and September 30, 2024, our inventories were RMB11.5 million, RMB42.0 million and RMB98.2 million, respectively. To effectively manage our inventories, we have implemented an inventory management system that documents and monitors incoming and outgoing materials regularly to ensure that an optimal inventory level is maintained to satisfy customers' needs while minimizing any wastage and avoiding obsolescence.

## MARKETING AND SALES

We have assembled an experienced sales and marketing team strategically located across Chengdu, Beijing, Shenzhen and Shanghai. The geographical distribution of our team allows us to effectively cover diverse regions and customer categories, while proactively identifying market opportunities. Our sales and marketing team is well-versed in the professional knowledge pertinent to our products and solutions, enabling it to effectively communicate the value of our technologies and the performance of our solutions.

We primarily engage in direct sales with our customers. See "— Our Customers — Salient Terms of Agreements with Customers." We believe that our ability to secure orders is underpinned by our strong brand reputation and the advanced nature of our products and solutions. We employ dynamic marketing and promotional strategies, including engaging with potential customers, participating in industry forums, technology conferences and expositions to showcase our offerings, and collaborating with industry media to share updates on our latest technological innovations and developments. We also value marketing through offline experiences. For example, in 2024, we launched the "Star Space (星空間)," our satellite science AI experience center. This center offers a wide range of immersive, hands-on satellite science activities, such as building, launching, managing and exploring satellites. These experiences are designed to inspire young people with the spirit of space exploration and disseminate scientific knowledge. We believe that the synergy between our advanced products and solutions and the optimization of our marketing channels facilitates sustained brand exposure and efficiently attracts potential customers.

### Pricing

We determine the price of our products and solutions based on a number of factors, including (i) our cost structure, including the cost of raw materials and purchased goods consumed, satellite material costs, satellite launch costs and research and development expenses; (ii) the level of customization and technical requirements of each product and solution, such as the functions required of the satellites and the complexity of the satellite-based solutions; and (iii) the comparable market prices in light of the competitive landscape. By maintaining open communications with our customers on the pricing of products and solutions, we strive to provide competitive pricing for our customers.

### After-Sales and Warranty

We are committed to quality and customer satisfaction and have established after-sales service and warranty management procedures to ensure that our customers receive reliable support and solutions tailored to their needs. Upon receiving customer complaints, our after-sales service team promptly initiates an investigation to understand the issue. If the issue is due to a quality issue with the software or hardware for which we are responsible and falls within the warranty terms, we provide the necessary repairs, where possible, at no additional cost to the customer. In cases where the issue is not covered by the warranty, we offer repair services for a fee and work closely with the customer to minimize any disruption to their operations. We generally offer a one- to five-year warranty for satellites after in-orbit delivery, and a one- to three-year warranty for satellite-based solutions after delivery. During the Track Record Period and up to the Latest Practicable Date, we did not receive any complaint from consumers that had a material and adverse effect on our operations and business reputation. Our warranty expenses incurred during the Track Record Period were insignificant.

## OUR CUSTOMERS

We primarily sell our products and solutions to customers in the PRC across sectors such as aerospace, electronic products and software development and digital cultural creativity content production, among others. Revenue from our five largest customers in each year/period during the Track Record Period amounted to RMB131.1 million, RMB284.5 million and RMB220.0 million in 2022, 2023 and the nine months ended September 30, 2024, respectively, accounting for 73.9%, 56.1% and 92.7% of our total revenue for the same periods, respectively. Revenue from our largest customer in each year/period during the Track Record Period amounted to RMB87.3 million, RMB109.1 million and RMB173.3 million in 2022, 2023 and the nine months ended September 30, 2024, respectively, accounting for 49.2%, 21.5% and 73.0% of our total revenue for the same periods. See "Risk Factors — Risks Relating to Our Business and Industry — We relied on a limited number of customers during the Track Record Period. If we fail to expand our customer base, or if our customers decrease their purchases or delay inspection or acceptance of our products and solutions, our business, results of operations, financial condition and prospects may be materially and adversely affected."

The tables below set forth the basic information of our top five customers during the Track Record Period:

***Year ended December 31, 2022***

| Customers | Background | Products provided | Revenue | % of total revenue | Year of commencement of business relationship | Credit terms | Payment method |
|---|---|---|---|---|---|---|---|
| | | | *(RMB'000)* | | | | |
| Customer A. . . | A limited liability company located in Guangdong, China, primarily engaging in the R&D and sales of electronic products, satellite communication products and computer software. | Satellites and related services and satellite-based solutions | 87,259 | 49.2% | 2022 | N/A | Bank transfer |
| Customer B. . . | A limited liability company located in Sichuan, China, primarily engaging in the R&D and sales of software. | Satellite-based solutions | 17,514 | 9.9% | 2022 | Within ten days after inspection and acceptance of the satellite-based solutions | Bank transfer |
| Beijing Space-park Technology Co., Ltd. (北京停碳科技有限公司) ("Beijing Space-park") . | A limited liability company located in Beijing, China, primarily engaging in power transmission and distribution and control equipment production and electric vehicle charging infrastructure operation. | Intelligent parking solutions | 9,368 | 5.3% | 2021 | Within 30 business days after inspection and acceptance of the intelligent parking solutions, and receipt of invoice | Bank transfer |
| Customer C. . . | A limited liability company located in Sichuan, China, primarily engaging in the R&D and sales of AI software. | Satellite-based solutions | 9,132 | 5.1% | 2022 | Within seven days after the acceptance of our satellite-based solutions | Bank transfer |
| Customer D . . | A public institution under a ministry of the PRC, serving as an important service support institution in the field of industrial information security. | Satellite-based solutions | 7,830 | 4.4% | 2022 | Within seven to ten business days after inspection and acceptance of the satellite-based solutions, and receipt of invoice | Bank transfer |
| **Total** . . . . . | | | **131,103** | **73.9%** | | | |

*Year ended December 31, 2023*

| Customers | Background | Products provided | Revenue | % of total revenue | Year of commencement of business relationship | Credit terms | Payment method |
|---|---|---|---|---|---|---|---|
| | | | *(RMB'000)* | | | | |
| Customer E. . . | A public company located in Beijing, China and listed on the Shenzhen Stock Exchange, primarily engaging in digital cultural creativity, content production and technical services. | Satellite-based solutions | 109,087 | 21.5% | 2023 | Within 12 months after inspection and acceptance of the satellite-based solutions | Bank transfer |
| Customer F. . . | A state-owned company located in Sichuan, China, primarily engaging in the survey and design of construction engineering. | Satellite-based solutions | 66,745 | 13.2% | 2023 | Within eight months after inspection and acceptance of the satellite-based solutions, and receipt of invoice | Bank transfer |
| Customer G . . | A limited liability company located in Hubei, China, primarily engaging in providing smart city solutions through big data, AI large model, space information, digital twin technologies and cloud computing. | Satellite-based solutions | 38,379 | 7.6% | 2021 | Within 30 days after receiving the invoice or within 210 days upon the acceptance of our satellite-based solutions | Bank transfer |
| Customer H . . | A state-owned company located in Sichuan, China, primarily engaging in gas production and supply. | Satellite-based solutions | 35,575 | 7.0% | 2023 | N/A | Bank transfer |
| Customer A. . . | A limited liability company located in Guangdong, China, primarily engaging in the R&D and sales of electronic products, satellite communication products and computer software. | Satellites and related services and satellite-based solutions | 34,707 | 6.8% | 2022 | N/A or before January 31, 2024 | Bank transfer |
| **Total** . . . . . | | | **284,493** | **56.1%** | | | |

*Nine months ended September 30, 2024*

| Customers | Background | Products provided | Revenue | % of total revenue | Year of commencement of business relationship | Credit terms | Payment method |
|---|---|---|---|---|---|---|---|
| | | | *(RMB'000)* | | | | |
| Customer I | A limited liability company located in Sichuan, China, primarily engaging in R&D and promotion of technologies. | Satellite-based solutions | 173,315 | 73.0% | 2024 | Within five business days after inspection and acceptance of the satellite-based solutions | Bank transfer |
| Customer J | A state-owned company located in Sichuan, China, primarily engaging in real estate development, construction engineering and property management. | Satellite-based solutions | 14,538 | 6.1% | 2023 | Upon the expiration of the quality assurance period | Bank transfer |
| Customer K | A limited liability company located in Sichuan, China, primarily engaging in R&D and application of software. | Satellites and related services | 14,159 | 6.0% | 2024 | Before January 31, 2026 | Bank transfer |
| Company L | A limited liability company located in Shanghai, China, primarily engaging in laser communication solutions. | Satellites and related services | 9,518 | 4.0% | 2023 | Within 11 months after receiving the invoice | Bank transfer |
| Customer M | A limited liability company located in Sichuan, China, primarily engaging in software and information technology service. | Satellite-based solutions | 8,435 | 3.6% | 2024 | Within 30 days upon the expiration of quality assurance period/ service period | Bank transfer |
| **Total** | | | **219,965** | **92.7%** | | | |

As of the Latest Practicable Date, except for Beijing Space-park, none of our Directors, their respective close associates or any of our shareholders (who, to the knowledge of our Directors, owned more than 5% of our issued share capital) had any interest in any of our five largest customers in each year/period during the Track Record Period.

### Salient Terms of Agreements with Customers

We typically enter into sales agreements with our customers for the sales of satellites, the salient terms of which are set forth below:

- ***Duration***. The deployment of the satellite in space is expected to occur within one to two years from the date of signing. The parties may mutually agree to extend the term if necessary.

- ***Rights and Responsibility***. We are responsible for the R&D, production and deployment of the satellite(s) in accordance with the specifications and standards agreed by the parties. Depending on the contract, we are responsible for obtaining the required regulatory approvals for launching the satellite into orbit and we or the customer may be responsible for engaging third-party service providers for the launch into the satellite.

- ***Transfer of Risk***. Risks are generally transferred to the customer upon on-orbit delivery, or, in some cases, upon the date the satellite passes the factory review. In the latter case, to facilitate the satellite launch, we typically assume responsibility for the satellite's custody from the factory review date until the launch, during which the customer retains control of the satellite. If the satellite is damaged due to our fault during this custody period, we shall compensate the customer.

- ***Price and Payment***. We generally charge a fixed total price for the contract. The customer shall make payments in installment according to the agreed-upon milestones.

- ***Warranty***. The quality assurance period generally lasts for one to five years after in-orbit delivery.

- ***Intellectual Property***. Each party shall retain the intellectual property rights with respect to the technologies or components that they contribute to the R&D, production and deployment of the satellite.

The salient terms of the agreements for the provision of satellite-based solutions with our customers are set forth below:

- ***Duration***. The duration of the contract typically ranges from 30 days to two years and is renewable upon mutual agreement.

- ***Intellectual Property***. We generally retain all intellectual property rights in any work product, materials or deliverables that we create or develop in the course of providing services to our customers. We generally grant our customers non-exclusive licenses to use such intellectual property for the duration of the contract and solely for the purpose of receiving the services.

- ***Warranty***. We generally provide a quality assurance period of one to three years during which we provide technological troubleshooting, customer service and maintenance services.

During the Track Record Period, we did not experience any material breach of agreements with our customers.

## OUR SUPPLIERS

Our suppliers primarily comprise (i) providers for satellite-based solutions, such as software and hardware, (ii) satellite material providers for satellite production, such as laser communication payloads and Hall thrusters, and (iii) launch service providers. Purchases from our five largest suppliers in each year/period during the Track Record Period amounted to RMB43.2 million, RMB490.6 million and RMB240.5 million in 2022, 2023 and the nine months ended September 30, 2024, respectively, representing 29.9%, 60.5% and 69.6% of our total purchases for the same period, respectively. Purchases from our largest supplier in each year/period during the Track Record Period amounted to RMB14.9 million, RMB294.1 million and RMB109.6 million, respectively, representing 10.3%, 36.3% and 31.7% of our total purchases for the same period, respectively. See "Risk Factors — Risks Relating to Our Business and Industry — We relied on a limited number of suppliers during the Track Record Period."

The tables below set forth the basic information of our Group's top five suppliers during the Track Record Period:

***Year ended December 31, 2022***

| Suppliers | Background | Products/ services purchased | Purchase amount | % of total purchases | Year of commencement of business relationship | Credit terms | Payment method |
|---|---|---|---|---|---|---|---|
| | | | *(RMB'000)* | | | | |
| Supplier A | A limited liability company located in Guangdong, China, primarily engaging in the technical development of computer software and communication products. | Software | 14,862 | 10.3% | 2022 | After the acceptance or within ten to 30 days after receiving the invoice | Note settlement and bank transfer |
| Supplier B | A limited liability company located in Sichuan, China, primarily engaging in the R&D of software and technical services. | Hardware | 9,057 | 6.3% | 2022 | Within 30 days after receiving the invoice | Note settlement and bank transfer |
| Supplier C | A limited liability company located in Guangdong, China, primarily engaging in the R&D and sales of security products, security alarm systems and security engineering. | Software | 7,547 | 5.2% | 2022 | Within 30 days after final inspection and acceptance of the software | Bank transfer |
| Supplier D | A limited liability company located in Beijing, China, primarily engaging in Software and IT Services. | Software | 6,604 | 4.5% | 2022 | Within 30 days after receiving the invoice | Bank transfer |
| Supplier E | A limited liability company located in Sichuan, China, primarily engaging in intelligent planning and construction in the field of cultural tourism and the R&D of software and hardware products. | Software and satellite remote sensing data | 5,139 | 3.6% | 2022 | Within ten days after final inspection and acceptance of the software and satellite remote sensing data | Bank transfer |
| **Total** | | | **43,209** | **29.9%** | | | |

***Year ended December 31, 2023***

| Suppliers | Background | Products/ services purchased | Purchase amount | % of total purchases | Year of commencement of business relationship | Credit terms | Payment method |
|---|---|---|---|---|---|---|---|
| | | | *(RMB'000)* | | | | |
| Supplier F . | A state-owned company located in Sichuan, China, primarily engaging in real estate development. | Headquarter building | 294,108 | 36.3% | 2023 | Within 365 days after the signing of the agreement | Bank transfer |
| Supplier G . | A limited liability company located in Guangdong, China, primarily engaging in the R&D of AI platforms. | Hardware | 93,140 | 11.5% | 2023 | Within ten business days after inspection and acceptance of the hardware, and receipt of invoice | Bank transfer |
| Supplier H . | A limited liability company located in Sichuan, China, primarily engaging in the consulting, development, implementation, operation and maintenance services of information systems. | Software and hardware | 55,590 | 6.9% | 2023 | Within 15 business days after inspection and acceptance of the software and hardware, and receipt of invoice | Note settlement and bank transfer |
| Supplier I . . | A limited liability company located in Sichuan, China, primarily engaging in digital economy big data platform operation and AI computing center construction. | Software and hardware | 25,003 | 3.1% | 2023 | Within ten business days after delivery, inspection and acceptance of the software and hardware, and receipt of invoice | Bank transfer |
| Supplier J . . | A limited liability company located in Sichuan, China, primarily engaging in real estate development. | Construction engineering and decoration | 22,725 | 2.7% | 2023 | Within two years | Note settlement and bank transfer |
| **Total** . . . . | | | **490,566** | **60.5%** | | | |

*Nine months ended September 30, 2024*

| Suppliers | Background | Products/ services purchased | Purchase amount | % of total purchases | Year of commencement of business relationship | Credit terms | Payment method |
|---|---|---|---|---|---|---|---|
| | | | *(RMB'000)* | | | | |
| Supplier K . | A limited liability company located in Beijing, China, primarily engaging in R&D and promotion of technologies. | Software and hardware | 109,560 | 31.7% | 2024 | Within five business days after final inspection and acceptance of the software and hardware, and receipt of invoice | Bank transfer |
| Supplier L . | A limited liability company located in Sichuan, China, primarily engaging in AI computing infrastructure and solutions. | Hardware | 46,887 | 13.6% | 2024 | Within ten days after the signing of the agreement of the hardware | Bank transfer |
| Supplier M . | A state-owned company located in Beijing, China, primarily engaging in Commercial Spacecraft Launch Services. | Rocket launch service | 32,750 | 9.5% | 2023 | Within ten days upon agreed milestones of the software and hardware | Bank transfer |
| Supplier J. . | A limited liability company located in Sichuan, China, primarily engaging in real estate development. | Construction engineering | 31,119 | 9.0% | 2023 | Within two years | Note settlement and bank transfer |
| Company L . | A limited liability company located in Shanghai, China, primarily engaging in laser communication solutions. | Hardware | 20,134 | 5.8% | 2023 | Within 20 days after receiving the invoice | Bank transfer |
| **Total** . . . . | | | **240,450** | **69.6%** | | | |

As of the Latest Practicable Date, none of our Directors, their respective close associates or any of our shareholders (who, to the knowledge of the Directors, owned more than 5% of our issued share capital) had any interest in any of our five largest suppliers in each year/period during the Track Record Period.

### Procurement

We procure certain raw materials and components from qualified suppliers to maintain quality standards, optimize our cost structure and achieve desired scale of production. Our procurement is generally based on our customized production plan and internal strategic storage. We have a dedicated team to procure raw materials and components to meet the specific requirements of our products. The key raw materials and components used for our production include electronics, optical cameras and satellite thermal control systems.

### *Selection and Engagement of Suppliers*

When selecting suppliers, we take into account a number of factors, including the suppliers' background, technical capability, quality, cost, production capability and delivery efficiency. We have implemented a comprehensive supplier management system that defines the admission of suppliers, management of qualified suppliers and termination of unqualified suppliers to ensure the efficiency of our supplier management.

We carry out performance assessments to ensure the product quality and service of our suppliers on a yearly basis and inform the suppliers of our assessment result and rectification requirements. In addition, we conduct examinations on the raw materials and components delivered to ensure the consistency of the high quality of our solutions. If certain raw materials and components fail to meet our stringent testing standards, we are entitled to request the return of such raw materials and components.

We also collaborate with multiple suppliers for core raw materials and components to ensure a stable supply. In addition, we implement measures such as raising supplier entry standards and conducting comprehensive and regular evaluations of supplier qualifications to ensure the suppliers' supply capacity and maintain the stable supply of raw materials and components. During the Track Record Period and up to the Latest Practicable Date, we did not experience quality and shortage with our raw materials and components that materially affected our operations.

### *Salient Terms of Agreements with Suppliers*

We typically enter into supply agreements with major suppliers, the salient terms of which are set forth below:

- *Product Specifications*. We specify the product name, specification, price, quantity and other detailed items.

- *Payment and Delivery*. We are responsible for timely payment to suppliers according to the agreement, who are responsible for the delivery of products to our designated location.

- *Quality Control*. We inspect the products upon receipt and have the right to reject and return any products that do not meet our requirements, or to request free product replacement or maintenance at the expense of the suppliers. The suppliers generally offer a quality assurance period ranging from 12 to 36 months.

- *Confidentiality*. All confidential information provided by either party shall be used solely for cooperation purposes pursuant to the agreements and shall generally not be disclosed to any third party.

### *Launch Service*

We engage launch service providers to launch the satellites into space. The salient terms of our agreements with our launch service providers are set forth below:

- *Payments*. The payment for the launch cost shall be made in several instalments by milestone.

- *Risks*. The launch service providers are responsible for risks of the satellite associated with the transportation, assembly and other preparations of the rocket before ignition. We shall be liable for any risks of the satellite associated with the ignition, lift-off and launch of the rocket and the separation of the satellite from the rocket. We may purchase launch insurances to safeguard against any potential launch failures considering the value of the satellites to be launched and the insurance premium costs, among other factors. See "— Insurance."

- *Liability*. The launch service providers are generally responsible for any delays in providing launch services, subject to certain conditions. We are generally responsible for delays in payments for the launch cost.

- *Confidentiality*. All confidential information provided by either party shall be used solely for cooperation purposes pursuant to the agreements and shall not be disclosed to any third party without prior written consent.

During the Track Record Period, we did not experience any material breach of agreements with our suppliers.

## OVERLAPPING OF MAJOR CUSTOMERS AND SUPPLIERS

During the Track Record Period, Company L was both one of our top five customers and top five suppliers in the nine months ended September 30, 2024. Company L, primarily engaged in the business of laser communication solutions for inter-satellite communication, has purchased three satellites from us. In separate transactions, we procured laser communication terminal solutions from Company L to install on our other satellites. In the nine months ended September 30, 2024, (i) we provided satellites and related services for Company L with the revenue of RMB9.5 million, representing 4.0% of our total revenue in the same period, (ii) our gross profit margin for sales to Company L was 1.4%, and (iii) we purchased satellite hardware from Company L for the AI satellites with the purchase amount of RMB20.1 million, representing 5.8% of our total purchases in the same period.

During the Track Record Period, Beijing Space-park was both one of our top five customers in 2022 and a supplier in 2022, 2023 and the nine months ended September 30, 2024. Beijing Space-park primarily engages in businesses of power transmission and distribution and control equipment production and electric vehicle charging infrastructure operation. In 2022, we provided intelligent parking solutions for Beijing Space-park. In 2022, our revenue from

Beijing Space-park was RMB9.4 million, representing 5.3% of our total revenue in the same year. In 2022, our gross profit margin for sales to Beijing Space-park was 32.7%. In separate transactions, in 2022, 2023 and the nine months ended September 30, 2024, we purchased software from Beijing Space-park as part of our deliverables for a project we undertook for our other customers. In 2022, 2023 and the nine months ended September 30, 2024, our purchase from Beijing Space-park was RMB0.2 million, RMB14.3 million and RMB1.8 million, respectively, representing 0.1%, 2.8% and 1.2% of our total purchases in the same respective periods.

During the Track Record Period, Company N was both one of our major customers in 2022 and 2023 and a supplier in 2023 and the nine months ended September 30, 2024. Company N, a public company listed on the Shenzhen Stock Exchange, primarily engaged in the construction engineering construction and design. In 2022 and 2023, we provided satellite-based solutions for Company N. In 2022 and 2023, our revenue from Company N was RMB6.2 million and 0.7 million, respectively, representing 3.5% and 0.1% of our total in the same respective years. In 2022 and 2023, our gross profit margin for sales to Company N was 9.8% and 87.1%, respectively. In separate transactions, in 2023 and the nine months ended September 30, 2024, we purchased software from Company N for intelligent parking solutions provided for our other customers. In 2023 and the nine months ended September 30, 2024, our purchase from Company N was RMB0.1 million and RMB0.4 million, respectively, representing 0.1% and 0.05% of our total purchases in the same respective periods.

During the Track Record Period, Company O was both one of our major customers in 2022 and a supplier in 2023. Company O primarily engaged in the software development and sales of hydrogeological, meteorological and oceanographic special instruments. In 2022, we provided satellite-based solutions for Company O. In 2022, our revenue from Company O was RMB3.5 million, representing 2.0% of our total revenue in the same year. In 2022, our gross profit margin for sales to Company O was 18.4%. In separate transactions, in 2023, we purchased software relating to hydrogeology and rain level monitoring from Company O for our AI satellites. In 2023, our purchase from Company O was RMB0.4 million, representing 0.05% of our total purchases in the same year.

Negotiations of the terms of sales to the companies mentioned above and purchases from them were conducted separately, and the sales and purchases were neither connected nor conditional upon each other. Our Directors are of the view that such arrangements are mutually beneficial, given that we negotiated with such company on an arm's-length basis. In addition, the terms of transactions with the company mentioned above are in line with market practice and similar to those with our other customers and suppliers. Saved as disclosed, to the best of our knowledge, none of our major customers during each year/period of the Track Record Period was a supplier of ours and vice versa.

## SUSTAINABILITY

### Overview

Since our inception, we have been committed to advancing AI satellite technologies and have made significant strides in developing AI satellites and satellite-based solutions. Our offerings cover the entire value chain of the satellite industry, with AI satellites and satellite-based solutions at the core of our business. By equipping satellites with in-orbit computing power and sophisticated algorithms, we enable our AI satellites to autonomously process satellite remote sensing data, perform analysis and make decisions while in orbit. This enhances their efficiency and functionality. Moreover, the successful deployment of these AI satellites has provided us with valuable satellite remote sensing data, which plays a critical role in the ongoing development and customization of our satellite-based solutions.

Benefiting from these advancements, we have experienced steady business growth throughout the Track Record Period. Our revenue increased significantly from RMB177.4 million in 2022 to RMB507.5 million in 2023, reflecting a robust upward trajectory. Additionally, our revenue continued to increase significantly from RMB105.9 million in the nine months ended September 30, 2023 to RMB237.3 million in the same period in 2024. Correspondingly, our gross profit saw substantial growth, rising from RMB45.0 million in 2022 to RMB71.1 million in 2023. We also recorded a significant increase in gross profit from RMB19.3 million in the nine months ended September 30, 2023 to RMB61.4 million in the same period in 2024.

However, during the Track Record Period, our revenue growth has not fully offset the costs and expenses incurred. The net losses primarily stemmed from our position in the early ramp-up stage, where we concentrated on developing core technologies to enhance our AI algorithms and computing power, alongside the R&D and launch of AI satellites. These efforts were essential for establishing a space-based computing network to support the continuous development of our satellite-based solutions. At this stage, we strategically prioritized customer acquisition and relationship development while also focusing on talent retention through competitive compensation packages. These early-stage investments, while necessary for long-term growth, have delayed our ability to realize the economic benefits of AI satellites and to fully leverage the economies of scale expected from mass production.

**Analysis on Historical Losses**

The following table sets forth our certain key financial data for the periods indicated:

| | Year ended December 31, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2022 | 2023 | 2023 | 2024 |
| | | | *(unaudited)* | |
| | *(RMB in thousands, except for percentages)* | | | |
| **Revenue** | | | | |
| Satellite-based solutions | 102,947 | 460,328 | 82,260 | 193,370 |
| Satellite and related services | 52,318 | 3,221 | 425 | 27,262 |
| Other services | 22,156 | 43,992 | 23,236 | 16,647 |
| **Gross Profit/(Loss)** | | | | |
| Satellite-based solutions | 18,681 | 56,896 | 14,758 | 60,740 |
| Satellite and related services | 16,833 | (3,450) | (2,948) | (1,982) |
| Other services | 9,485 | 17,619 | 7,466 | 2,638 |
| **Gross Profit/(Loss) Margin (%)** | | | | |
| Satellite-based solutions (%) | 18.1 | 12.4 | 17.9 | 31.4 |
| Satellite and related services (%) | 32.2 | (107.1) | (693.6) | (7.3) |
| Other services (%) | 42.8 | 40.1 | 32.1 | 15.8 |
| **Loss for the year/period** | (90,907) | (139,300) | (111,280) | (213,675) |
| **Adjusted net loss margin (non-IFRS measure)** | (67,290) | (90,690) | (76,475) | (132,766) |

Our loss-making position is primarily as a result of (i) the gross profit margin fluctuations in satellites and related services, and (ii) our relatively high research and development expenses and general and administrative expenses, the details of which are discussed below.

Our gross profit margin of satellite and related services experienced certain fluctuations during the Track Record Period, mainly under the impact of our relatively high production cost for satellites sold to our customers as we were in the early stages of customer acquisition. In particular, we incurred relatively high cost of sales for satellite and related services primarily due to (i) the use of space-grade components for satellite materials, which were essential to ensuring the quality, reliability and performance of our satellites, and (ii) significant launch costs paid to launch service providers. Furthermore, in the early stages of our development, we adopted a single-satellite sales model, which resulted in higher production costs compared to the negotiated project values. This, coupled with limited pricing flexibility at our current stage, led to relatively modest satellite prices.

However, we believe that the ramp-up period is an essential phase for companies in our industry, as it establishes the foundation for long-term growth by enabling early customer acquisition, fostering strong customer relationships and facilitating market penetration. While these necessary investments have temporarily impacted our profitability, they are critical for positioning us to capture future opportunities in the rapidly growing market for satellite and related services. As our technology continues to advance and mature, and as we transition to mass production and improve operational efficiency, we expect to achieve significant cost reductions and enhanced pricing power. These developments are anticipated to gradually strengthen our gross margins and overall profitability, paving the way for sustainable growth in the long term.

We also incurred significant research and development expenses associated with our early-stage technological advancements, as well as higher general and administrative expenses mainly arising from share-based payments aimed at incentivizing key employees.

- ***Investment in R&D***. We recognize that technological capabilities are fundamental to the development and sustainability of our business. As such, we have consistently prioritized R&D to enhance our core technological capabilities and deliver advanced solutions that meet customer needs and align with evolving market trends. In the initial phase of our development, we successfully launched conventional remote sensing satellites and AI application satellites, providing us with substantial satellite remote sensing data that underpinned the foundation for our satellite-based solutions. In the subsequent phase, we successfully developed AI computing satellites and the Lingjing Engine. Our commitment to R&D has resulted in a steady increase in research and development expenses during the Track Record Period, which are critical to maintaining our technological leadership and ensuring long-term growth. In 2022, 2023 and the nine months ended September 30, 2023 and 2024, our research and development expenses amounted to RMB45.8 million, RMB53.5 million, RMB30.8 million and RMB104.9 million, respectively, representing 25.8%, 10.5%, 29.1% and 44.2% of total revenue in the same respective period.

- ***General and Administrative Expenses***. We have incurred considerable general and administrative expenses during the Track Record Period, primarily attributable to (i) the share-based payments aimed at driving performance and aligning the interests of key personnel with the long-term growth of the business, and (ii) the depreciation of charges of property, plant and equipment related our headquarters acquired in 2024, both of which was necessary to support the continued growth of our business and enhance our satellite AIT capabilities. In 2022, 2023 and the nine months ended September 30, 2023 and 2024, our general and administrative expenses amounted to RMB71.3 million, RMB131.2 million, RMB86.8 million and RMB131.0 million, respectively, representing 40.2%, 25.9%, 82.0% and 55.2% of our total revenue in the same respective period.

## Path to Profitability

As we move forward, we anticipate improved profitability in our AI satellite business, driven by several factors: (i) the expansion of our customer base and an increase in project value as the technology matures and the satellite remote sensing data accumulates; (ii) cost efficiencies achieved through enhanced production processes and the use of industrial-grade components; (iii) economies of scale resulting from mass production; and (iv) a reduction in satellite launch costs driven by intensified competition in the rocket market and advancement in launch technology.

### *Expansion of Customer Base and Increased Project Value*

The expansion of our customer base and the increasing value of projects are at the heart of our long-term strategy. As our AI satellite technology matures, we expect to accumulate an increasing amount of satellite remote sensing data and will continue to capitalize on the growing demand for satellite-based solutions across sectors. Our offerings that cover the entire value chain of the satellite industry, from advanced AI payloads and AI satellites to satellite-based solutions, position us for continued growth. The Star-Compute Project, alongside the Lingjing Engine and consumer-facing products such as the Star Tour, will drive our business forward, contributing to profitability.

The development and deployment of our AI satellite technologies are a key driver for growth. As of the Latest Practicable Date, we had jointly developed six conventional remote sensing satellites and one AI application satellite with our partners; we had also independently developed six AI payloads, four AI application satellites and four AI computing satellites. In addition, as of the Latest Practicable Date, we had successfully completed 13 space missions. Our fifth-generation AI payloads that boast a computing power reaching one POPS per AI satellite are expected to be launched in 2025. In addition, as of the Latest Practicable Date, we had secured orders for the R&D and production of 20 additional AI computing satellites, and had entered into launch service agreements for 12 of these satellites which we expect to launch in 2025. The total contract value for the 20 satellites amounts to approximately RMB339.3 million, with more than 85% expected to be fulfilled in 2025, assuming all requisite regulatory approvals for the production and launch for such satellites were obtained in time. This acceleration in orders reflects a rapidly growing demand for AI-powered satellite solutions, signaling a critical shift in both our technological capabilities and market position. The upcoming launches represent a key step in our transition from early-stage development to full-scale commercialization, with future orders expected to follow as our technology becomes more widely recognized.

In parallel, we anticipate that as our AI satellite technology matures and we iterate on our AI payloads, the in-orbit processing power of our satellites will increase. Coupled with more sophisticated in-orbit algorithms, our AI satellites will allow us to offer higher-value services, improving our competitive positioning and providing more advanced solutions to meet the evolving needs of our customers.

In addition, leveraging the capabilities of our AI computing satellites, we are actively advancing the Star-Compute Project, seeking to create a space-based computing network consisting of 2,800 AI computing satellites. The Star-Compute Project will offer cost-effective, comprehensive and sustainable space-based computing resources. Once deployed, it will address the requirements of space-edge computing technology and specific specialized AI computing scenarios on the ground, facilitating the global intelligent transformation. As of the Latest Practicable Date, the orbits and spectrum of the 2,800 AI computing satellites under the Star-Compute Project had been officially approved and announced by the International Telecommunication Union, marking a significant milestone in the project's progress. With this infrastructure in place, we will be able to offer new and more sophisticated services to a wider range of industries, from aerospace to AI and beyond.

***Cost Efficiencies from Enhanced Production Processes***

Our satellite operations employ an integrated R&D and production model that combines satellite R&D, production and deployment to address the specialized customization needs of the industry. The closer alignment between R&D and production in our operations ensures that the outputs of our R&D efforts are seamlessly translated into high-quality and tailor-made satellite products. This streamlined approach enhances the accuracy of design specifications, optimizes production timelines and reduces potential errors that may arise when R&D and production teams operate independently. As a result, our integrated model enables more precise customization, reduces the likelihood of costly revisions and improves overall production efficiency.

*Optimization of Satellite Production Processes*

Our production process follows the AIT protocols for each modular satellite platform, which ensures that every satellite is developed with controlled timelines and quality standards. As we scale up our satellite production operations, we anticipate significant improvements in production efficiency driven by the continuous optimization of our production processes. We primarily focus on streamlining our assembly lines to reduce operational bottlenecks and increase throughput. To achieve this, we are exploring the integration of automation technologies that will reduce our reliance on manual labor, improve precision in assembly and lower the risk of human error. For example, we have deployed an automated testing system that facilitates the automatic transmission of remote control commands and the autonomous interpretation of satellite telemetry, significantly enhancing work efficiency by over fourfold. This automation will help accelerate production cycles and enhance the overall consistency of our product output. Furthermore, by adopting a sales-driven inventory system, we aim to align our production schedules more closely with customer demand, thus minimizing excess inventory and reducing holding costs.

*Replacing Aerospace-Grade Components with Industrial-Grade Components*

Another major avenue for cost optimization is the shift from aerospace-grade components to industrial-grade components. As our system R&D capabilities improve, we are increasingly able to replace traditionally expensive aerospace-grade components with more cost-effective industrial-grade components without compromising performance or reliability. For example, we have identified specific satellite subsystems where industrial-grade components can be used without affecting the overall integrity of the satellite, such as our integrated electronic subsystem which is able to ensure high reliability in aerospace computer systems through cost-effective hardware and a redundant network system architecture.

The adoption of industrial-grade components in place of higher-cost aerospace materials will contribute directly to reduce the cost of sales, as these parts are generally less expensive, more readily available, and require less rigorous testing compared to aerospace-grade components. As a result, this transition will provide us with greater cost flexibility, especially for mass production runs of satellite systems, and will enable us to pass on these savings to customers, making our products more competitively priced in the market.

***Economies of Scale from Mass Production***

We have established sophisticated facilities to support our satellite R&D and production capabilities. In addition to our Chengdu AIT center and Jiaxing satellite testing base, which allow us to develop and produce multifunctional satellites weighing less than 500 kg, we have acquired a parcel of land in Shenzhen in January 2024 with an aggregate GFA of approximately 30,828 sq.m. and were in the process of construction design for this parcel of land as of the Latest Practicable Date. Compared to our Chengdu AIT Center and Jiaxing satellite testing base, which are designed to support satellite R&D and production based on specific project requirements, the Shenzhen Center, upon the approval from the relevant authorities, will represent a strategic step toward the mass production of satellites, enabling us to scale our operations and meet growing market demand. As our business scales, we anticipate significant economies of scale as we achieve mass production. Mass production enables us to spread fixed costs across a larger number of units, which reduces the average cost per satellite. Furthermore, with larger order volumes and a growing base of repeat customers, we expect to secure favorable terms with suppliers, further reducing production costs.

***Reduction in Satellite Launch Cost Due to Competition and Technological Advancements***

The satellite launch market is undergoing a transformation, with increasing competition among rocket providers and significant advancements in launch technology. As new players enter the market and existing providers innovate, the satellite launch cost is expected to decrease, mainly driven by the continuous advancements in rocket technologies, such as the improvement of payload capacity, and the intensified competition in the rocket industry. According to Frost & Sullivan, the satellite launch cost in China has been decreasing in recent years, from approximately RMB120 thousand per kilogram in 2019 to RMB80 thousand per kilogram in 2023, with a CAGR of -9.6%. The satellite launch cost in China is expected to further decrease. See "Industry Overview — The Satellite Industry in China — Average Satellite Launch Cost in China."

Lower launch costs will directly benefit our profitability by reducing our satellite launch cost. In 2022, 2023 and the nine months ended September 30, 2023 and 2024, our satellite launch costs were RMB10.0 million, nil, nil and RMB8.7 million, respectively, representing 5.6%, nil, nil, 3.7% of our total revenue in the same respective periods. As launch technology continues to evolve, we expect both the frequency and reliability of launches to improve, further lowering costs and streamlining our operations. This will not only make our satellite solutions more affordable for customers but also increase our profit margins.

**Enhancing Operating Leverage**

During the Track Record Period, we incurred significant operating expenses, including general and administrative expenses, research and development expenses and selling and marketing expenses. The following table sets forth our general and administrative expenses, research and development expenses and selling and marketing expenses, as a percentage of revenue for the periods indicated:

| | Year ended December 31, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2022 | 2023 | 2023 | 2024 |
| | | | *(Unaudited)* | |
| | | *(%)* | | |
| **As a percentage of revenue:** | | | | |
| General and administrative expenses | 40.2 | 25.9 | 82.0 | 55.2 |
| Research and development expenses | 25.8 | 10.5 | 29.1 | 44.2 |
| Selling and marketing expenses | 19.9 | 8.3 | 28.7 | 8.5 |
| **Total operating expenses** | **85.9** | **44.7** | **139.8** | **107.9** |

Our operating expenses as a percentage of total revenue continuously decreased during the Track Record Period, from 85.9% in 2022 to 44.7% in 2023, primarily attributable to our enhancement of operating efficiency. Our operating expenses as a percentage of total revenue decreased from 139.8% in the nine months ended September 30, 2023 to 107.9% in the nine months ended September 30, 2024. In addition, a significant portion of our operating expenses was related to our employee benefit expenses and share-based payment expenses, which are less likely to increase proportionally along with our revenue growth as we scale up. See "Financial Information — Description of Major Components of Our Results of Operations — Non-IFRS Measure." We expect our operating expenses as a percentage of revenue to further decrease as we continue to ramp up our production and achieve revenue growth, and improve the efficiency of general and administrative, R&D and selling and marketing activities and our spending on such activities.

**Management of Working Capitals**

We strive to ensure efficient working capital management. As of December 31, 2022, 2023 and September 30, 2024, our trade receivables, net of provision for loss allowance, amounted to RMB128.7 million, RMB500.9 million, and RMB500.2 million, respectively. During the Track Record Period, we experienced relatively long and increasing trade receivables turnover days. Additionally, the balance of trade receivables aged over one year and overdue trade receivables increased. This trend is primarily attributable to the extended payment cycles of our state-owned enterprise ("SOE") customers and projects led by SOEs affected by their internal fiscal arrangements and payment approval processes.

We maintain active communication with our customers and constantly monitor and evaluate the conditions of trade receivables to ensure timely measures are taken to address collection issues, including the following:

- We follow up on customer payments with monthly targets. Depending on the amount and overdue days, we coordinate multiple departments, including the sales team, finance department and our senior management, to devise trade receivable collection plans analyzing issues involved and efforts needed, as well as specifying time frames and responsible employees.

- Our senior management including chief executive officer and chief financial officer regularly review overdue payments and lead the aforementioned trade receivables collection plans to ensure timely measures are taken to address collection issues. For customers from which we have a relatively large amount of trade receivables, our senior management actively engages in the communication with senior management of such customers to ensure the collection of trade receivables.

- We assess the condition of the trade receivables by examining factors including the payment history of the respective customers and our business relationships with them. We seek to maintain strict control over our outstanding receivables, and our finance department is responsible for minimizing credit risks. For customers that have good track record of credit, maintain robust business relations with us and engage in ongoing communication with us about their trade receivable payments, our sales team continue pursuing payment collection through active communication. If we identify indications of payment collection difficulties or if the outstanding trade receivables from certain customers remain unpaid for a prolonged period of time, we issue collection letters or lawyer's letters and negotiate payment plans with them when necessary.

- For customers who are not responsive to our demand letters or lawyer's letters or who fail to pay outstanding trade receivables after a prolonged period following our issuance of demand letters or lawyer's letters, we may initiate litigation.

As of the date of this document, our collection efforts had covered 75.0% of trade receivables balances as of September 30, 2024. The following table sets forth the details of our follow-up actions and progress in our trade receivables collection as of the dates indicated:

| | As of the date of this document | Percentage to trade receivables as of September 30, 2024 |
|---|---|---|
| | *(RMB in thousands)* | *(%)* |
| Amount of trade receivables covered by demand letters, lawyer's letters, or litigation | 396,175 | 75.0 |
| Amount of trade receivables collected, pledged by customers to settle, or collectible by judgement | 137,390 | 26.0 |

The foregoing forward-looking statements on our future revenue and profitability are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Our business growth and long-term profitability is subject to known and unknown risks, uncertainties and other factors, some of which are beyond our control, and they may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements set out above. See "Forward-looking Statements" and "Risk Factors — Risks Relating to Our Business and Industry."

## AWARDS AND RECOGNITIONS

We have received numerous awards and recognitions for our brand, business operations, products and solutions. The table below sets forth a summary of significant awards and recognitions that we have received during the Track Record Period and up to the Latest Practicable Date:

| Year | Awards/Certifications | Awarding Body |
|---|---|---|
| 2024 . . . . . | Member of International Astronautical Federation | International Astronautical Federation |
| 2024 . . . . . | 2024 Provincial Science and Technology Plan Project-Major Science and Technology Projects in Artificial Intelligence and Aerospace | Sichuan Provincial Department of Science and Technology (四川省科技廳) |
| 2024 . . . . . | China Patent Award | NIPA |
| 2024 . . . . . | Specialized and Innovative "Little Giant" Companies to Continue Receiving Support | MIIT |
| 2023 . . . . . | Science and Innovation China Leading Technology Top 25 (2022年"科創中國"先導技術榜Top 25) | China Association for Science and Technology (中國科學技術協會) |
| 2023 . . . . . | Special Prize of the Science and Technology Progress Award | Chinese Association of Automation |
| 2023 . . . . . | Intellectual Property Advantage Company | NIPA |
| 2022 . . . . . | Grand Prize at the inaugural National Disruptive Technology Innovation Competition | MST |
| 2022 . . . . . | Key R&D Program — Earth Observation and Navigation, Key Special Project (科技部國家重點研發計劃"地球觀測與導航"重點專項) | MST |

## COMPETITION

We compete with a number of domestic companies focusing on the R&D, production, launching and application of satellites, including those with extensive marketing and sales networks and strong industry experience. According to Frost & Sullivan, we were the fastest-growing commercial aerospace company in China's satellite industry by revenue growth rate during the Track Record Period. We ranked eighth among China's private commercial aerospace companies with satellite-related businesses by revenue in 2023, with a market share of 1.9%. We ranked second among all China's private commercial aerospace companies that manage the full satellite industry value chain by revenue in 2023. In addition, in terms of the cumulative number of AI satellites launched as of the Latest Practicable Date, we ranked first among all private commercial aerospace companies in China.

New and existing competitors strive to increase their market shares with continued R&D efforts and active marketing campaigns. We expect to face competition from both existing and new competitors as we expand into new business lines, geographic markets and product categories. See "Risk Factors — Risks Relating to Our Business and Industry — If we are unable to compete effectively, our business, financial condition and results of operations may be materially and adversely affected." We believe our robust AI satellite technologies, accumulation of satellite remote sensing data, deep-rooted relationship with customers and sophisticated talent pool allow us an advantageous position among existing and incoming industry players.

## EMPLOYEES

We believe that our professional workforce is the driving force of our long-term growth. As of September 30, 2024, we had 331 full-time employees located in China. The following table sets forth the number of our employees by function as of September 30, 2024:

| Employee function | Number of employees | Percentage of employees |
|---|---|---|
| | | *(%)* |
| R&D and production | 193 | 58.3 |
| Sales and marketing | 75 | 22.7 |
| Administration, human resource, financial and procurement | 63 | 19.0 |
| **Total** | **331** | **100.0** |

Our workforce consists of skilled workers and professionals with extensive industry experience from leading academic and research institutions, industry application units and internet technology companies. See "— Our Strengths — Visionary Management with Innovative and Technology-Driven Corporate Culture."

We place significant emphasis on investing in our employees and have established a well-rounded talent development system. Our training programs are categorized into company-level, department-level and function-level training. Prior to commencing their roles, new employees are required to complete relevant training and pass examinations. We offer a wide range of specialized training aimed at enhancing the professional skills of our employees. In addition, we have cultivated a number of internal training courses and developed a series of targeted professional courses to effectively implement our talent development strategy, foster the growth of key talents and enhance the managerial proficiency of our team.

We provide our employees with competitive remuneration and benefits. Employees' remuneration is decided on the basis of functions, performance appraisals and market practices. Our performance appraisals consider a variety of factors, such as our business development, return on equity and risk control. Meanwhile, we provide a variety of benefits to our employees, such as annual physical examinations and annual vacation. We believe our remuneration and benefits system fully stimulates our employees' creativity, initiative and enthusiasm, and thereby helps achieve our business goals.

We have established labor unions that protect employees' rights, help fulfill our and our subsidiaries' economic objectives, encourage employee participation in management decisions and assist in mediating disputes between us and union members. We have maintained a good relationship with our employees and did not have any material labor dispute during the Track Record Period and up to the Latest Practicable Date.

**Social Insurance and Housing Provident Funds**

As required by the laws and regulations in the PRC, we participate in various employee social security plans that are administered by local governments, including housing provident fund, pension insurance, medical insurance, maternity insurance, work-related injury insurance and unemployment insurance. During the Track Record Period, we did not make social insurance and housing provident fund contributions for some of our employees in full, primarily because (i) certain employees were unwilling to pay the social insurance and housing provident funds in full as additional contributions were required from them; or (ii) our employees did not fully understand the relevant requirements of the relevant PRC laws and regulations. We engaged third-party human resource agencies to pay social insurance premiums and housing provident funds for certain of our employees in certain locations where they work, primarily because some of our employees working in different cities across the nation prefer their social insurance and housing provident funds to be paid at their respective places of residence for the convenience of utilizing such benefits locally. See "Risk Factors — Risks Relating to Our Business and Industry — Failure to make adequate contributions to various employee benefit plans as required by PRC regulations may subject us to penalties."

As advised by our PRC Legal Advisor, pursuant to applicable PRC laws and regulations, if an employer fails to make social insurance contributions in full, the relevant authorities could order the employer to pay, within a prescribed time limit, the outstanding amount with an additional late payment penalty at the daily rate of 0.05%, and if the employer fails to make the overdue contributions within such time limit, a fine equal to one to three times the outstanding amount may be imposed. Additionally, pursuant to applicable PRC laws and regulations, if the employer fails to register and establish an account for housing provident fund contributions, the authority could order the employer to correct it within a prescribed time limit, where failure to do so at the expiration of the time limit shall result in a fine of not less than RMB10,000 nor more than RMB50,000 being imposed. Where an employer is overdue in the payment and deposit of, or underpays, the housing provident fund, the authority could order it to make the payment and deposit within a prescribed time limit, and where the payment and deposit has not been made after the expiration of the time limit, an application may be made to a court in China for compulsory enforcement.

As advised by our PRC Legal Advisor, on the grounds that (i) during the Track Record Period and up to the Latest Practicable Date, no material administrative action, fine or penalty had been imposed by the relevant regulatory authorities with respect to the above incidents, contributions, nor had we received any order or been informed to settle the under-contributions; and (ii) the Urgent Notice of the General Office of the Ministry of Human Resources and Social Security on Implementing the Spirit of the Executive Meeting of the State Council in Stabilizing the Collection of Social Security Contributions (人力資源和社會保障部辦公廳關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知) strictly prohibits local authorities to conduct self-collection of historical unpaid social insurance contributions from companies, the relevant regulations and policies issued by the PRC government are still in effect and as long as we make full payment within the stipulated deadline, if required by relevant authorities in the future, the likelihood that the relevant competent authorities would collectively seek to recover the historically unpaid social insurance from us and/or impose administrative penalties on us due to our failure to make full payment of the social insurance is remote, and the likelihood that the competent authorities would impose any other administrative penalties on us due to our failure to make full payment of the housing provident funds is remote. As such, our Directors are of the view that such non-compliance would not have a material and adverse effect on our business and results of operations.

To monitor our compliance with relevant laws and regulations in respect of social insurance and housing provident fund contributions, we have taken the following internal control measures:

- We have designated our human resources department to review and monitor the reporting and contributions of social insurance and housing provident funds on a monthly basis;
- We are in the process of communicating, and will continue to communicate, with our employees with a view to seeking their understanding and cooperation in complying with the applicable payment base for the social insurance and housing provident funds, which also requires additional contributions from our employees;
- We will proactively communicate with the relevant local authorities to keep up to date with the applicable laws and regulations concerning social insurance and housing provident funds; and
- We will consult our PRC legal Advisor on a regular basis for advice on relevant PRC laws and regulations to keep us abreast of relevant PRC laws and regulatory developments, including, but not limited to, PRC laws and regulations in relation to social insurance and housing provident funds, and will provide relevant employees with legal compliance training relating to the same.

## INSURANCE

We consider our insurance coverage to be adequate as we maintain all the mandatory insurance policies required by PRC laws and regulations and, according to Frost & Sullivan, in accordance with the commercial practices in our industry. Our employee-related insurance consists of housing provident fund, pension insurance, medical insurance, maternity insurance, work-related injury insurance and unemployment insurance. For our satellites, we may purchase launch insurances to safeguard against any potential launch failures considering the value of the satellites to be launched and the insurance premium costs, among other factors. In line with market practice, as advised by Frost & Sullivan, third-party liability insurance for rocket launch is typically purchased by launch service providers, and we typically do not purchase in-orbit insurance for our satellites which are all LEO satellites. During the Track Record Period, we did not make any significant insurance claims related to our business. See "Risk Factors — Risks Relating to Our Business and Industry — Our insurance coverage may be inadequate to cover all losses or potential claims by our customers which would affect our business, financial condition and prospects."

## PROPERTIES

Our headquarters office is located in Chengdu, China. We own and lease properties in China for R&D, business and office purposes.

Pursuant to Rules 5.01A(1) and 5.01B(1) of the Listing Rules, if the carrying amount (as defined in Rule 5.01(1) of the Listing Rules) of a property interest (as defined in Rule 5.01(3) of the Listing Rules) that forms part of property activities (as defined in Rule 5.01(2) of the Listing Rules) is or is above 1% of its total assets (as defined in Rule 5.01(4) of the Listing Rules), the Document must include the full text of a valuation report for such property interest and the total carrying amount of property interests not valued must not exceed 10% of its total assets.

In addition, according to Rule 5.01A of the Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this Document is subject to the requirements of section 38(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance to include a valuation report with respect to all of our Group's interests in land or buildings, as we had a single property interest with a carrying amount of 15% or more of our consolidated total assets as of the Latest Practicable Date.

For details of the property valuation report pursuant to Rules 5.01A(1) and 5.01B(1) of the Listing Rules, see "Appendix III — Valuation Report." See "Risk Factors — Risks Relating to Our Business and Industry — Our property valuation is based on certain assumptions which, by their nature, are subjective and uncertain and may materially differ from actual results."

### Owned Properties

As of the Latest Practicable Date, we owned land use rights of three parcels of land in the PRC with an aggregate GFA of approximately 49,629.4 sq.m., which were primarily used for R&D and production purposes. As of the Latest Practicable Date, we had obtained the land use right certificates for two parcels of land which were under construction for production purposes, covering an aggregate GFA of approximately 24,584.3 sq.m., and we were in the process of obtaining the land use right certificate for the other parcel of land that we acquired for R&D and office purposes, with a GFA of approximately 25,045.1 sq.m.

### Leased Properties

As of the Latest Practicable Date, we leased seven properties in China, among which, (i) six properties with an aggregate GFA of approximately 6,526.0 sq.m. were primarily used for offices, R&D, production and commercial purposes, and (ii) one property was used for employee dormitories. We had obtained all valid title certificates for our leased properties from relevant lessors as of the Latest Practicable Date.

As of the Latest Practicable Date, our lease agreements of the above leased properties had not been registered with relevant authorities primarily because the lessors are unwilling to cooperate with the procedures. As advised by our PRC Legal Advisor, the non-registration of lease agreements will not affect the validity of the lease agreements, but the relevant local housing administrative authorities can require us to complete registrations within a specified timeframe and we may be subject to a fine of between RMB1,000 and RMB10,000 for any delay in making registration for each of these lease agreements. The aggregate amount of maximum fine will be approximately RMB70 thousand. As of the Latest Practicable Date, we had not been required by the relevant local housing administrative authorities to complete the registrations, nor been penalized or fined by the relevant authorities. Having considered the aggregate amount of maximum fines that may be imposed and the grace period that the relevant authorities would allow before imposition of such penalty, our Directors are of the view that such incidents would not have any material adverse effect on our business, financial position and results of operations.

## DATA SECURITY AND PRIVACY

In recent years, data security and cybersecurity have become key governance priorities for global companies. Especially given that PRC legislature and government authorities frequently roll out new data security and privacy laws and regulations, we may be under heightened administrative scrutiny for our collection, use, storage, disclosure and transfer of a variety of types of data. See "Risk Factors — Risks Relating to Our Business and Industry — We are subject to complex and evolving laws and regulations regarding privacy and data protection. Actual or alleged failure to comply with privacy and data protection laws and regulations could damage our reputation and subject us to significant legal, financial and operational consequences."

Our data mainly consists of satellite imagery. To comply with relevant laws and regulations and safeguard against any incidents that result in data breaches and system shutdowns, we are committed to protecting data and information security in our day-to-day operations. We have in place policies, processes, network architecture and software to protect and manage data. For example, our data compliance management policies cover the full lifecycle of data processing including data collection, data encryption and transportation, data storage security, data backup and recovery, data processing, proper use of data, and data destruction and disposition. Our policies require, among other things, that we categorize data according to the degree of harm that could be caused to national security, public interest, or the legal rights and interests of individuals and organizations in the event of data tampering, destruction, leakage, or illegal acquisition and use.

In addition, we have established relevant internal organizational structures, such as the data management department and the cybersecurity officer. We have implemented the graded protection of cybersecurity pursuant to the Cybersecurity Law of the PRC (中華人民共和國網絡安全法), completed and obtained level three for Level Guarantee Certificate (Information System Security Level Protection Filing Certificate). As of the Latest Practicable Date, we had not been subject to administrative investigation, inquiry, penalty, litigation or any legal proceedings for any non-compliance related to data privacy and cybersecurity during our operations. During the Track Record Period and up to the Latest Practicable Date, considering that (i) there had been no material incident of data or personal information leakage, material infringement of or material investigation or other legal proceeding, pending or threatened against us initiated by competent government authorities or third parties with respect to data protection and personal information protection laws and regulations; (ii) we have not been subject to any material administrative action, fine or penalty imposed by any relevant regulatory authorities in relation to the infringement of data protection and personal information protection laws and regulations, and have not been involved in any investigations on cybersecurity review by CAC; (iii) we have adopted and implemented data protection internal policies, procedures and measures in accordance with the relevant data protection and personal information protection laws and regulations in material aspects, so as to ensure secured storage, usage and transmission of data, and to prevent unauthorized access or use of data; and (iv) we will continuously pay close attention to the legislative and regulatory development in data protection and personal information protection, maintain ongoing communication with relevant government authorities and implement all necessary measures in a timely manner to ensure continuous compliance with the relevant laws and regulations, our Directors and our PRC Legal Advisor are of the view that we would be able to comply with the applicable laws and regulations with respect to the data privacy and personal data protection in all material aspects.

## INTELLECTUAL PROPERTY

Our intellectual property rights are key to our success and competitiveness. Our intellectual property rights primarily consist of patents, trademarks and copyrights. As of the Latest Practicable Date, we had 212 trademarks, 133 copyrights, 100 patents and seven domain names in China. In addition, as of the Latest Practicable Date, we had four U.S. patents. See "Appendix VII — Statutory and General Information — 2. Further Information about Our Business — B. Intellectual Property Rights."

We have formulated in-house intellectual property management rules. We also protect our intellectual property rights through a series of confidentiality non-disclosure agreements with our key employees, suppliers, outsourcing partners and other business partners to protect our intellectual property rights. We adopt a strategic and proactive approach to manage our intellectual property portfolio. We designate dedicated personnel to handle intellectual property-related issues, including monitoring the application status of intellectual property rights and performing routine checks to prevent and identify any third-party infringement of our intellectual property rights. Despite our precautions, we may be subject to risks associated with alleged infringement of third parties' intellectual property rights or face infringement of our intellectual property rights by third parties. See "Risk Factors — Risks Relating to Our Business and Industry — We may not be able to protect our intellectual property rights, and our ability to compete could be harmed if our intellectual property rights are infringed by third parties" and "Risk Factors — Risks Relating to Our Business and Industry — We may be unable to protect the confidentiality of our trade secrets, and we may be subject to claims that our employees or third parties have wrongfully used or disclosed alleged trade secrets owned by others."

During the Track Record Period and up to the Latest Practicable Date, we were not subject to any material infringement of our intellectual property rights or allegations of infringement by third parties.

## INFORMATION TECHNOLOGY SYSTEM

IT is fundamental to our competitive edge and operational efficiency. We primarily utilize our ERP system that evolve in tandem with our business growth, ensuring they meet our varied operational demands. Our ERP system underpins key areas such as the inventory management, sales management, supply chain management, customer management, employee management, financial management and project management.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material IT system failure or downtime that had a material adverse effect on our business operations. See "Risk Factors — Risks Relating to Our Business and Industry — Our performance may suffer from business disruptions associated with information technology, system implementations, or catastrophic losses affecting our IT systems."

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We are committed to creating a sustainable and positive impact on environmental, social and governance issues that may be influenced by our operations. Our management team places significant importance on environmental, social and governance issues. We have developed and implemented relevant mechanisms and will continue to enhance and refine them.

### ESG Governance

Our Directors believe that the establishment and implementation of robust ESG principles and practices will enable us to fulfill our mission and strategic objectives while delivering long-term value to our stakeholders. The Board has primary responsibility for overseeing the development and reporting of our ESG direction and strategy, identifying ESG-related risks and monitoring and evaluating our ESG performance. Moreover, it closely monitors evolving ESG-related laws and regulations, updating our ESG measures accordingly to ensure compliance with the latest regulatory requirements.

We plan to further establish an ESG framework that addresses environmental, social and governance concerns. We intend to establish an ESG committee to implement the ESG framework, set ESG-related goals and oversee their execution. The members of the ESG committee will be appointed by our Directors and senior management and will be responsible for managing and supervising ESG matters across our Group, providing guidance and assistance to the Board. Their key responsibilities will include:

- *Identification and formulation:* assessing relevant ESG matters of our Group based on applicable policies, regulations, standards, trends and stakeholder expectations, and providing the Board with decision-making advice regarding the ESG strategy; and

- *Implementation:* monitoring the implementation of ESG strategies, tracking progress toward goals, evaluating the impact of ESG initiatives on stakeholders and providing improvement recommendations for future ESG efforts.

**Climate-related Risk**

We place significant emphasis on identifying and managing ESG-related risks, with a particular focus on those associated with climate change and our transition towards a low-carbon economy. Through meticulous analysis of our business environments, we have identified and evaluated several key risks that could potentially impact our business operations and financial performance over short-, medium- and long-term perspectives.

In response to these identified risks, we have implemented robust internal measures designed to mitigate and control their effects effectively. Our proactive strategy not only addresses these potential challenges but also identifies opportunities arising from climate-related and transition risks. These opportunities are crucial for driving our ongoing business development and facilitating strategic enhancements. We aim to strengthen our competitive advantage and ensure stable business operation as well as sustainable growth, aligning our operations with global environmental initiatives and trends.

***Physical risk***

The launch and operation of our AI satellites are inherently subject to weather and climate conditions. Climate change can lead to more frequent and severe weather events, including heatwaves, typhoons, severe storms and extreme temperature fluctuations, which could disrupt satellite launch schedules, ground operations, satellite remote sensing data transmission and the durability of our satellites in orbit.

To effectively mitigate the risks posed by adverse weather conditions, we employ rigorous monitoring of meteorological data to optimize our launch scheduling. In anticipation of potential launch cancellations due to extreme weather, we have developed comprehensive contingency plans to ensure minimal disruption to our operations. Additionally, we are committed to enhancing our satellites' resilience to space-specific environmental challenges exacerbated by climate change, such as thermal stress, increased atmospheric drag and the risk of debris. Our extensive efforts in relation to research and development are pivotal in this regard, such as advancing our satellite technologies, including high heat capacity phase change energy storage modules and rapid thermal exchange systems, to bolster our satellites' ability to withstand and adapt to environmental challenges. See "— Our Technologies — AI Application Satellite R&D and Production Technology Adapted to the Space Environment."

***Transition risks***

As the global economy transitions towards environmental sustainability, we face several climate change-related transition risks arising from an evolving regulatory landscape, technological advancements and shifting market demand. We anticipate heightened regulatory requirements aimed at reducing carbon emissions and enhancing environmental sustainability. Compliance with these regulations may necessitate increased investment in introducing and developing environmentally friendly satellite technologies as well as green energy production facilities. Growing awareness of environmental sustainability among customers is likely to shift market preferences towards prioritizing sustainable satellite solutions. Failure to align our products and services with these prevailing preferences could adversely affect our business operations and market position. In addition, our commitment to sustainability is integral to maintaining our reputation and brand value. Any perceived shortcomings in our environmental practices could impact customer trust and our ability to attract and retain clients.

To keep up pace with the rapidly changing landscape, we have adopted comprehensive measures across key aspects of our business operations. We have established robust information-update and decision-making mechanisms to ensure timely responses to regulatory changes and market preferences. We closely monitor climate-related laws and regulations, taking prompt action to ensure compliance with all relevant industry standards. Additionally, we remain vigilant to evolving market demand by conducting regular market research and engaging in customer feedback communications. This proactive approach enables us to design and plan our business strategies in alignment with the latest market trends.

***Opportunities***

In the evolving landscape of climate change, we have identified significant opportunities. Our commitment to developing sustainable technologies will position us to differentiate in the market and appeal to environmentally conscious customers. The global transition initiative towards a low-carbon economy opens up opportunities for us to facilitate our expansion and we aim to proactively offer sustainable solutions and satellite remote sensing data analytics services to booming markets such as renewable energy and environmental monitoring sectors. Furthermore, pursuing regulatory incentives and funding can help offset compliance costs and support the development of green technologies. By concentrating on these areas, we aim to mitigate transition risks while fostering growth and innovation in alignment with global sustainability trends.

During the Track Record Period and up to the Latest Practicable Date, we were not subject to any fines or other penalties for non-compliance with relevant regulations on environmental, social and governance.

## Environmental Protection

We are dedicated to green and sustainable development, proactively undertaking the responsibility to minimize the environmental impact of our operations. Our goal is to balance sustainable development with business growth by actively reducing our carbon footprint, enhancing resource consumption efficiency and optimizing waste management systems. We are certified with ISO 14001 Environmental Management System, adhering to stringent international standards in our production processes. We are committed to complying with all applicable environmental protection laws and regulations in the regions where we operate. Through internal training programs, our employees are kept informed of relevant laws and industry regulations, enabling us to continually improve our environmental practices.

### *Metrics and Targets*

We diligently monitor key metrics that reflect the environmental impact of our business operations, ensuring strict adherence to the standards and targets set by our management and relevant authorities. These metrics encompass water consumption and the management of solid waste and energy. According to Frost & Sullivan, the impact of our greenhouse gas emissions is relatively minor compared to conventional production sectors, given that the AIT process for satellite production is a highly specialized and precision-driven process that typically involves smaller production volumes and less energy-intensive activities compared to conventional production industries. By aligning our practices with both internal benchmarks and external regulatory requirements, we aim to enhance our sustainability initiatives and reinforce our dedication to responsible environmental management. We have set a target to decrease the water and energy consumption by 5% in the next three years, subject to the actual business demand. See "Regulatory Overview — Regulations Related to Environmental Protection".

### *Water Resource Management*

We have always attached importance to the management of water resources and strictly comply with the Water Law of the PRC and other relevant laws and regulations of the places where we operate. We analyze water consumption on a monthly basis. We educate employees about water conservation practices and encourage their participation, as well as monitor water usage to track and manage consumption effectively.

All the water resources we use are from the municipal water supply. In 2022, 2023 and the nine months ended September 30, 2024, our water consumption was 3,983.0 tons, 3,573.0 tons and 4,003.0 tons, respectively.

### *Solid Waste Management*

We place great importance on solid waste management. We strictly comply with relevant laws and regulations in respect of solid waste management in the places where we operate. We have implemented internal policies for solid waste management. We have solid waste collected by third parties. At the same time, we encourage our employees to conduct office work and meeting activities online as much as possible, operate most of our business digitally, and utilize cloud services to reduce the consumption of paper and other office supplies.

### *Energy Management*

Purchased electricity is the main energy source that we use during operation. Without affecting the growth of our business, we continue to optimize our energy structure and improve the efficiency of our energy use, while making every effort to achieve the goal of energy conservation and carbon emission reduction. In 2022, 2023 and the nine months ended September 30, 2024, our electricity consumption was 578,850.8 kw/h, 756,217.4 kw/h and 610,299.9 kw/h, respectively.

## Corporate Social Responsibility

We actively fulfill our social responsibilities by identifying and focusing on human resources management and occupational health and safety. In addition, we actively attend various social activities.

### *Human Resources Management*

We strictly comply with the rules and regulations in the places of operation regarding recruitment and dismissal, compensation and promotion, employee working hours, equal opportunities, anti-discrimination, diversity, working hours, holidays and other benefits, including, but not limited to, the Labor Law of the PRC (《中華人民共和國勞動法》) and the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》). In accordance with these regulations, we have established a comprehensive labor management system and are committed to building a diverse, equal and inclusive work environment for our employees.

We have formulated and implemented internal policy documents to standardize the recruitment process and strive to build a team composed of employees of different backgrounds and personalities, without discriminating between job seekers on the basis of their race, religion, gender, pregnancy status or disability. We follow the principles of fairness, justice, lawfulness and compliance in signing labor contracts with our employees. As of September 30, 2024, we had 96 female employees, representing 29.0% of our total employees.

During the Track Record Period and up to the Latest Practicable Date, there were no incidents in violation of the Company's policies or relevant laws and regulations pertaining to child labor, forced labor, labor trafficking or employee discrimination.

### *Occupational Health and Safety*

We have strictly complied with the Production Safety Law of the PRC and other relevant laws and regulations in the places of operation, and have formulated a series of rules and regulations relating to work safety and health protection. We have set up a safety management organization led by the general manager to clarify the safety responsibilities across all levels, so as to ensure the implementation and enforcement of various safety systems. Fire safety training is also conducted regularly to enhance the safety awareness and skills of our staff.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any work-related fatalities or material work-related injuries or incur penalties arising from any material non-compliance with work-related safety laws and regulations.

### *Supply Chain Management*

We establish a clear supplier recruitment process and stringent supplier risk management process, with potential suppliers being evaluated on factors including but not limited to product quality, delivery, working capacity, and compliance, also emphasizing the selection of suppliers with internationally acknowledged certifications in environmental and social risk management. Suppliers with energy and environmental management certifications, such as ISO 50001 and ISO 14001, are given preference, reinforcing our commitment to sustainability. We also monitor suppliers and conduct on-site inspection when necessary to ensure that our suppliers use environmentally-friendly materials and processes.

### *Social Activities*

Since October 2023, we have been hosting a "Satellite World Public Open Day" event each week. During these open days, young visitors have the opportunity to explore the history of satellite development and technological advancements. They can closely observe the processes and environments involved in satellite R&D and assembly. At the satellite measurement and control center, they can witness the systems used for satellite operation monitoring and constellation management. Furthermore, they can discover how satellites are applied in everyday life and explore the numerous applications derived from satellite technology.

In September 2022, a 6.8 magnitude earthquake struck Luding County, Sichuan. We promptly activated the emergency protocol, deploying multiple satellites to capture urgent images of the affected area. This initiative provides continuous spatial information support for local disaster assessment and decision-making.

## RISK MANAGEMENT AND INTERNAL CONTROL

We have established our risk management systems to identify, assess, monitor and mitigate the risks that may hinder our success, including strategic risks, operational risks, financial risks and legal risks.

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the [**REDACTED**], we have adopted or will continue to adopt, among other things, the following risk management measures:

- establish an Audit Committee to review and supervise our financial reporting process and internal control system. For the qualifications and experience of the committee members, see "Directors, Supervisors and Senior Management;"

- adopt policies to ensure compliance with the Listing Rules, including, but not limited to, aspects related to risk management, connected transactions and information disclosure;

- provide anti-corruption and anti-bribery compliance training periodically to our senior management and employees to enhance their knowledge and compliance with applicable laws and regulations, and include relevant policies against non-compliance in Anti-Fraud Management System;

- organize training sessions for our Directors and senior management with respect to the relevant requirements of the Listing Rules and duties of directors of companies listed in Hong Kong; and

- provide enhanced training programs on quality assurance and product safety procedures.

**Operational Risk Management**

Operational risk refers to the risk of direct or indirect financial loss resulting from incomplete or problematic internal processes, personnel mistakes, IT system failures or external events. We have established a series of internal procedures to manage such risk.

We take a comprehensive approach with regard to operational risk management and implement a mechanism with detailed and decentralized responsibilities and clear rewards and punishment systems. Our information technology, human resources, finance and operations departments are collectively responsible for ensuring the compliance of our operations with internal procedures. In the event of a major adverse event, the matter will be escalated to our CEO and the Board to take appropriate measures. Through effective operational risk management, we expect to control operational risks within a reasonable range by identifying, measuring, monitoring and containing operational risks to reduce potential losses.

### Compliance Risk Management

Compliance risk refers to the risk of being subject to legal and regulatory sanctions, and the risk of major financial and reputational losses as a result of our failure to comply with relevant laws, regulations, rules and guidelines.

Compliance risk management refers to the dynamic managing processes of our effective identification and management of compliance risks and proactively preventing the occurrence of risk events. We have established sound compliance risk management procedures to achieve effective identification and management of compliance risk and ensure that our operations are in compliance with applicable laws and regulations.

In accordance with such procedures, our legal department carefully reviews the contracts we enter into with customers and suppliers. Before entering into any contracts or business arrangements, our legal department reviews the contract terms and examines related documents, including all necessary due diligence materials and licenses and permits obtained by the other party to fulfill its obligations under the relevant contract.

In addition, we continually monitor changes in relevant laws and regulations as well as the regulatory environment to ensure compliance in our business operations.

### Information Security and Data Privacy Risk Management

See "— Data Security and Privacy."

### Intellectual Property Risk Management

See "— Intellectual Property."

### Investment Risk Management

We invest in or acquire businesses that are complementary to our business and aligned with our overall growth strategies, such as businesses that can expand our service offerings and strengthen our technological capabilities. In general, we intend to hold our investments for the long term in the form of preferred shares or ordinary shares with preference rights. In order to manage potential risks associated with investments, we generally obtain minority protection rights from our investment portfolio companies.

Our investment department has primarily been responsible for our investment project sourcing, screening, execution and post-investment monitoring. The investment department searches for investment projects based on our business strategy and conducts thorough due diligence with the finance and legal departments to assess the risks and potential of the investment projects.

### Anti-corruption Risk Management

Anti-corruption risk refers to the risk of use of cheating, bribery or other illegal measures for (i) the pursuit of improper personal benefits at the expense of our Company's economic interests and (ii) the pursuit of improper interests of the Company. We have established our anti-corruption risk management policies prohibiting any corruption activities by the employees, either for the pursuit of improper personal benefits or improper interests of the Company. We have maintained a whistleblower mechanism for employees to anonymously report any incidents of bribery and corruption. Our CEO's office is responsible for investigating reported incidents and taking appropriate measures to address them. We have zero tolerance of corruption and do not accept the employment or promotion of persons responsible for corruption incidents. We conduct routine internal training and require all suppliers to execute anti-corruption commitments before engagement. As of the Latest Practicable Date, we were not involved in any legal proceedings in relation to corruption, bribery or fraud.

### Audit Committee Experience and Qualification and Board Oversight

To monitor the ongoing implementation of our risk management policies, we have established an Audit Committee to review and supervise our financial reporting process and internal control system on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our business operations. The Audit Committee comprises three members, namely Mr. Huang Mingjian, Prof. Zhang Tianyu and Mr. Zhu Zhenhua. Mr. Huang Mingjian is the Chairperson of the Audit Committee and an independent non-executive Director. See "Directors, Supervisors and Senior Management — Board of Directors."

In addition to our internal control department, we have also established an internal audit department which is responsible for reviewing the effectiveness of internal controls and reporting issues identified and improving our internal control system and procedures by identifying internal control failures and weaknesses on an ongoing basis. The internal audit department reports any major issues identified to the Audit Committee and Board of Directors on a timely basis.

## SANCTIONS EXPOSURE

During the Track Record Period, we entered into transactions with (i) Company A, a subsidiary of an entity listed on the SDN List under Executive Order 14024, thereby subjecting Company A to the same sanctions as an SDN due to ownership; and (ii) Company B, which was designated on the SDN List and the Entity List in 2023 (collectively, the "Relevant Entities"). The transactions with Company A and Company B occurred in December 2019 and March 2023, respectively, with transaction amounts of RMB1.5 million and RMB1.0 million, respectively. See "Risk Factors — Risks Relating to Our Business and Industry — We may be subject to the risks associated with international trade policies, geopolitics and trade protection measures, including imposition of trade restrictions and sanctions."

As advised by our International Sanctions Counsel, considering no US nexus was involved in the aforementioned transactions and the nature of such transactions was limited to procurement from Company A and Company B, our business dealings with the Relevant Entities do not appear to violate or implicate any breaches of the applicable U.S. sanctions and U.S. export control. On the grounds that (i) the agreement with Company A was entered into prior to its SDN designation, and we did not renew such agreement or enter into new transactions with Company A upon the expiration of the agreement; (ii) the agreement with Company B was entered into prior to its SDN designation, with delivery and one-off payment made shortly after such SDN designation; and (iii) our interactions with the Relevant Entities were limited to the aforementioned procurements and the one-off payment to Company B without providing any financial resources or products to them, which reduces the likelihood of our exposure to secondary sanctions risks, our International Sanctions Counsel is of the view that the risk for us or our investors and shareholders and persons who might, directly or indirectly, be involved in permitting the [**REDACTED**], trading, clearing and settlement of our shares to face exposure to secondary U.S. sanctions is low.

In order to protect the interest of our Group and our Shareholders from economic sanctions risks, we have adopted the following enhanced internal control and risk management measures:

- conduct the Know-Your-Customer procedures to review the background information, such as identity, ownership structure, business scope and compliance record, relating to our counterparties in business transactions along with the draft business transaction documentation;

- utilize the international sanctions databases to screen whether the counterpart is listed on OFAC, SDN, BIS list or other sanctions lists, with the regularly updated screening results to ensure the counterpart has not been newly added to any sanctions list;

- conduct further background checks on the counterpart to understand the transaction's background and purpose, confirming its legality and compliance, and whether there is any intent to evade sanctions. We verify the source of transaction funds to ensure the counterpart does not involve sanctioned entity or individual. In addition, we confirm the final use of transaction items, particularly whether they involve military use or civil-military integration issues;

- ensure the contracts with third parties will include protective clauses, such as: (i) any export, re-export, sale or transfer of our products and solutions to third parties will comply with applicable laws and regulations related to sanctions and export controls; (ii) products and solutions will not be directly or indirectly exported, re-exported, sold or transferred to any embargoed or sanctioned countries or regions; (iii) products and solutions will be used for civilian end-users and purposes, and will not involve any activities prohibited by applicable laws and regulations related to sanctions and export controls; and (iv) agreed remedies and compensation measures that can be taken if the counterpart violates sanctions compliance terms;

- regularly review the counterpart's sanctions risk level, promptly update due diligence files and timely identify and address potential violations; and

- enhance management system and compliance training to ensure awareness of sanctions risks and timely and effective identification and reporting of actual and potential violations.

## PERMITS, LICENSES AND APPROVALS

We are required to obtain various licenses, permits, approvals and certificates for our business. As advised by our PRC Legal Advisor, save for the disclosure under "— Legal Proceedings and Compliance — Compliance — Approval of the Relevant National Ministry for Satellites," we had obtained the requisite licenses, permits, approvals and certificates from applicable authorities which are material to our operations, and such licenses, permits, approvals and certificates are valid and subsisting as of the Latest Practicable Date. The following table sets forth the details of the material permits, licenses and approvals held by us as of the Latest Practicable Date:

| No. | Permit/License/Approval | Entity Holding the Permit/ License/Approval | Expiration Date |
|---|---|---|---|
| 1. | Radio Frequency Use Permit ([2023] 00089) | Our Company | November 1, 2026 |
| 2. | Radio Frequency Use Permit ([2023] 00026) | Our Company | August 30, 2026 |
| 3. | Radio Frequency Use Permit ([2023] 00078) | Our Company | November 1, 2026 |
| 4. | Radio Frequency Use Permit ([2024] 00040) | Our Company | March 19, 2027 |
| 5. | Radio Station License (space radio stations) (2023GFJY0000000337&2023GFJY0000000338) | Our Company | November 1, 2026 |
| 6. | Radio Station License (space radio stations) (2023GFJY0000000118&2023GFJY0000000119) | Our Company | August 30, 2026 |
| 7. | Radio Station License (space radio stations) (2023GFJY0000000279) | Our Company | November 1, 2026 |
| 8. | Radio Station License (space radio stations) (2024GFJY0000000122&2024GFJY0000000123) | Our Company | March 19, 2027 |
| 9. | Radio Frequency Use Permit ([2021] 00017) | Our Company | June 30, 2024[(1)] |
| 10. | Radio Station License (space radio stations) (SAT – 2021 – 020) | Our Company | June 30, 2024[(1)] |
| 11. | Class B Surveying and Mapping Qualification Certificate (乙級測繪資質證書) | Chengdu Xingshidai | August 1, 2029 |

*Note:*

(1) We were in the process of applying for the renewal of the permit/license as of the Latest Practicable Date. Our PRC Legal Advisor is of the view that, subject to the discretion of the relevant competent authorities, and provided that we comply with the applicable PRC laws and regulations, there are no substantial legal impediments for us to the renew radio frequency use permit and radio station license.

## ARRANGEMENT FOR BUSINESS ACTIVITIES ON THE NEGATIVE LIST

As of the Latest Practicable Date, certain of our product application scenarios fell within the "prohibited category" in the Special Administrative Measure (Negative List) for the Access of Foreign Investment (2024 Version) issued by the NDRC and MOFCOM (the "Negative List"), including (i) 3D reality mapping (the "Relevant Application Scenario"); and (ii) other surveying and mapping and geology-related services (the "Other Relevant Application Scenarios"). See "Regulatory Overview — Regulations in Relation to Foreign Investment." As advised by our PRC Legal Advisor, foreign investors are prohibited from holding any equity interest in any entity engaged in such prohibited businesses. See "Risk Factors — Risks Relating to Our Business and Industry — Policies on foreign investment in the PRC may adversely affect our business and results of operations."

As of the Latest Practicable Date, all our existing Shareholders were domestic, and none of them were foreign investors. In light of the [**REDACTED**] and the [**REDACTED**], to comply with the Negative List, we have undertaken to adjust our business arrangement ("Business Arrangement Adjustment") concerning the Relevant Application Scenario and the Other Relevant Application Scenarios before the [**REDACTED**]. For the Relevant Application Scenario, we have entered into framework agreements with qualified third parties, pursuant to which we will procure 3D reality maps generated by the relevant qualified third parties based on 2D satellite remote sensing data provided by us. We will authorize such qualified third parties to use our technologies or intellectual properties when they perform their obligations under such contracts in the future. Further, we have undertaken to cease all business prohibited (including our Other Relevant Application Scenarios) under the Negative List and other applicable laws and regulations relating to foreign investment prior to [**REDACTED**] and will continue to comply with applicable laws and regulations in relation to foreign investment ("Undertaking"). As advised by our PRC Legal Advisor, based on the Business Arrangement Adjustment and Undertaking, we do not and will not violate any applicable laws and regulations relating to foreign investment.

## LEGAL PROCEEDINGS AND COMPLIANCE

### Legal Proceedings

From time to time, we may be involved in court, arbitral and administrative proceedings arising in the ordinary course of our business operations. See "Risk Factors — Risks Relating to Our Business and Industry — We may be involved in lawsuits, claims, regulatory investigations or legal proceedings in our ordinary course of business." During the Track Record Period and up to the Latest Practicable Date, we had not been and were not a party to any material legal, arbitral or administrative proceedings, and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

## Compliance

During the Track Record Period and up to the Latest Practicable Date, save for the incident set out below, we had not been and were not involved in any material non-compliance incidents that have led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

### *Approval of the Relevant National Ministry for Satellites*

As of the Latest Practicable Date, the necessary approval from the relevant national ministry was not obtained for five of the satellites for which we held radio frequency use permit and radio station license (the "Relevant Satellites") prior to their production.

Over the past decade, China's commercial aerospace industry has experienced a period of rapid early-stage development, marked by significant technological advancements largely driven by the dedicated efforts of technical experts. We have established a team primarily composed of our R&D and production experts who have been pivotal in advancing our technological capabilities. The technical experts have concentrated their efforts on enhancing the commercial aerospace industry and improving the R&D and production capacities for satellites, and could be relatively slow in their adaptation to the regulatory development. Our Company was established during this nascent development phase of China's commercial aerospace industry with relatively short history. Therefore, we had limited past experience or established industry practices for reference and did not fully understand the requirements of the relevant PRC laws and regulations, resulting in the failure to timely obtain the approval from the relevant national ministry for the Relevant Satellites. We have reported the above incidents to the NDRC.

As advised by our PRC Legal Advisor, pursuant to the Administrative Measures for the Approval and Filing of Enterprise Investment Projects (《企業投資項目核准和備案管理辦法》) (the "Measures") and the Notice of the State Council on Issuing the Catalogue of Government-Approved Investment Projects (2016 Edition) (《國務院關於發布政府核准的投資項目目錄(2016年本)的通知》) (Guo Fa [2016] No. 72) (the "Notice"), civil satellite production and civil remote sensing satellite ground station construction projects are subject to approval by the investment authorities of the State Council. For projects that require approval, if a company begins construction without obtaining the necessary approval or constructs outside the approved construction location, scale or scope, the approving authority may order the cessation of construction or production and impose a fine of between 0.1% and 0.5% of the total project investment. Additionally, fines ranging from RMB20,000 to RMB50,000 may be imposed on the directly responsible personnel and other individuals directly at fault. The project may, depending on the circumstances, be dismantled or require the relevant procedures to be completed.

We have obtained written confirmations from the Chengdu Development and Reform Commission (成都市發展和改革委員會) (the "CDDRC") on August 6, 2024, confirming that (i) the CDDRC will continue to support our development; and (ii) as of August 6, 2024, no administrative penalties related to the business of our Group or Chengdu Xingshidai had been found in the development and reform sector of Chengdu. In addition, Dr. Lu, Beijing Xingrong Yuhang and Beijing New Era Space (together, the "warrantors") have jointly undertaken that, in the event that our Group and our PRC subsidiaries and/or related personnel incur any penalty or loss exceeding 0.5% of the total investment amount of the relevant projects due to any legal defect in the Relevant Satellites, they shall be liable to indemnify our Group and our PRC subsidiaries for any penalty or loss exceeding 0.5% of the total investment amount of the relevant projects.

We commit to enhancing our understanding and implementation of relevant laws and regulations, and will strictly complete all subsequent filing work in accordance with the relevant laws and regulations. Taking into account the foregoing, our PRC Legal Advisor is of the view that the failure to obtain the NDRC approval for the Relevant Satellites will not affect our Group's subsequent submission of the applications with respect to the new satellites in compliance with the Measures and the Notice and the production of the new satellites after obtaining the approvals from the NDRC. Considering that (i) as confirmed by our PRC Legal Advisor, during the Track Record Period and up to the Latest Practicable Date, neither we nor our PRC subsidiaries were subject to any material administrative penalties for violations of laws or regulations in the field of development and reform; (ii) we have received the written confirmation from the CDDRC; (iii) the maximum fine that could be imposed on us would be 0.5% of the total project investment, which our Directors consider would not have a material adverse impact on our financial position; and (iv) the warrantors have issued written confirmations mentioned above, our Directors are of the view that the aforementioned incident would not have any material adverse effect on our business, financial condition and results of operations.

We are committed to continuously strengthening compliance management throughout the entire satellite sales, R&D, production, launch and management process. We have implemented enhanced internal control measures to ensure future compliance with regulatory requirements, including:

(1) we have established a dedicated regulatory compliance team tasked with monitoring and ensuring adherence to all relevant laws and regulations. This team will navigate the ever-evolving regulatory landscape, ensuring our operations remain lawful and aligned with current standards. In addition, we have developed integrated compliance reporting systems that provide insights into compliance incidents;

(2) we have implemented a rigorous mandatory approval checklist and workflow system, which requires obtaining the approval from the relevant national ministry as a fundamental prerequisite before commencing any satellite project. This system acts as a comprehensive safeguard, ensuring all necessary regulatory approvals are secured prior to the initiation of production;

(3) we have conducted and will continue to conduct regular training sessions for staff members to support our compliance efforts. These sessions are designed to enhance awareness of regulatory requirements and approval procedures. By equipping our personnel with the necessary knowledge and skills, we aim to prevent future incidents of non-compliance. Furthermore, these regular training sessions are intended to foster a strong corporate culture of compliance;

(4) we have required our key staff member to put the emphasis on the importance of maintaining communication with relevant regulatory authorities. By strengthening the communication channels, we ensure that we receive timely updates on any changes in laws or regulations that could impact our approval processes. In addition, if there are any policy changes during the satellite production process, we are prepared to quickly conduct policy and legal assessments. This allows us to make informed decisions on satellite production, ensuring that our operations remain compliant and strategically aligned with the current regulatory environment; and

(5) we have introduced the compliance policy review mechanism to conduct regular reviews of internal policies and procedures to ensure they remain aligned with current regulatory requirements. This proactive approach can help identify and rectify potential compliance gaps before they become issues.

## OVERVIEW

Our Board consists of 15 Directors, including five executive Directors, five non-executive Directors and five independent non-executive Directors. Our Supervisory Committee consists of three Supervisors. All our Directors, Supervisors and senior management meet the qualification requirements under the relevant PRC laws and regulations and the Listing Rules for their respective positions.

## BOARD OF DIRECTORS

Brief information of our Directors is set out below:

| Name | Age | Position | Date of joining our Group | Date of appointment as Director | Principal roles and responsibilities | Relationship with other Directors, Supervisors and senior management |
|---|---|---|---|---|---|---|
| Dr. Lu Chuan (陸川) . . . . | 41 | Executive Director and chairman of the Board | May 3, 2018 | June 25, 2018 | Responsible for the overall strategic planning and major business decisions of our Group, supervising the operational efficiency of the management system and product research and development | None |
| Dr. Wang Lei (王磊) . . . . | 45 | Executive Director and chief executive officer | June 1, 2018 | June 25, 2018 | Responsible for the daily operation and general management of the business of our Group and assisting in strategic planning and major decisions of our Group | None |
| Dr. Zhao Hongjie (趙宏傑) . . | 40 | Executive Director and executive vice president | May 3, 2018 | May 3, 2018 | Responsible for the project management, quality management and public relation affairs of our Group and assisting in strategic planning and major decisions of our Group | None |
| Mr. Huang Ruoliang (黃若亮) . . | 41 | Executive Director and chief administrative officer | May 9, 2018 | August 12, 2019 | Responsible for the human resources, supply chain and asset management and sales affairs of our Group | None |

| Name | Age | Position | Date of joining our Group | Date of appointment as Director | Principal roles and responsibilities | Relationship with other Directors, Supervisors and senior management |
|---|---|---|---|---|---|---|
| Mr. Guo Yong (郭勇). . . . | 38 | Executive Director, and senior vice president | August 20, 2018 | January 25, 2022 | Responsible for shareholder relations, management of shareholders' meetings, board meetings and supervisor meetings, and administrative and engineering construction affairs of our Group | None |
| Mr. Wu Tao (吳韜). . . . | 52 | Non-executive Director | September 24, 2024 | September 24, 2024 | Responsible for participating in the formulation of the general corporate business plans, strategies and major decisions of our Group through the Board | None |
| Mr. Fang Guiming (方貴明) . . | 47 | Non-executive Director | November 21, 2024 | November 21, 2024 | Responsible for participating in the formulation of the general corporate business plans, strategies and major decisions of our Group through the Board | None |
| Ms. Qiu Hui (邱慧). . . . | 49 | Non-executive Director | May 21, 2021 | May 21, 2021 | Responsible for participating in the formulation of the general corporate business plans, strategies and major decisions of our Group through the Board | None |
| Mr. Zhu Zhenhua (朱振華) . . | 41 | Non-executive Director | January 19, 2025 | January 19, 2025 | Responsible for participating in the formulation of the general corporate business plans, strategies and major decisions of our Group through the Board | None |

| Name | Age | Position | Date of joining our Group | Date of appointment as Director | Principal roles and responsibilities | Relationship with other Directors, Supervisors and senior management |
|---|---|---|---|---|---|---|
| Dr. Sheng Xitai (盛希泰) . . | 56 | Non-executive Director | October 27, 2024 | October 27, 2024 | Responsible for participating in the formulation of the general corporate business plans, strategies and major decisions of our Group through the Board | None |
| Mr. Huang Mingjian (黃明建) . . | 46 | Independent non-executive Director | January 19, 2025 | January 19, 2025(1) | Responsible for supervising and offering independent judgment to the Board | None |
| Prof. Zhang Tianyu (張田余) . . | 50 | Independent non-executive Director | January 19, 2025 | January 19, 2025(1) | Responsible for supervising and offering independent judgment to the Board | None |
| Prof. Huang Jianwei (黃建偉) . . | 46 | Independent non-executive Director | January 19, 2025 | January 19, 2025(1) | Responsible for supervising and offering independent judgment to the Board | None |
| Dr. Wang Yanfeng (王延峰) . . | 47 | Independent non-executive Director | January 19, 2025 | January 19, 2025(1) | Responsible for supervising and offering independent judgment to the Board | None |
| Prof. Gao Zhipeng (高志鵬) . . | 45 | Independent non-executive Director | January 19, 2025 | January 19, 2025(1) | Responsible for supervising and offering independent judgment to the Board | None |

*Note:*

(1) With effect from the [**REDACTED**].

## Executive Directors

**Dr. Lu Chuan (陸川)**, aged 41, is senior engineer, a distinguished recipient of the National High-Level Talent Special Support Program, and the chairman of the Board and our executive Director. Dr. Lu was appointed as a Director in June 2018. He is responsible for the overall strategic planning and major business decisions of our Group, supervising the operational efficiency of the management system and product research and development. He also holds directorship in various subsidiaries of our Group.

Dr. Lu has nearly 20 years of research experience in AI technology, aerospace and communications engineering. Dr. Lu consecutively took various positions in University of Electronic Science and Technology of China (電子科技大學) from July 2006 to February 2021. Dr. Lu obtained a bachelor of engineering degree in Communications Engineering at the School of Communication and Information Engineering from University of Electronic Science and Technology of China in July 2006, a master of engineering degree in software engineering field from the same university in June 2011, a master of science degree in managerial economics from Nanyang Technological University in the Republic of Singapore in March 2016 and a doctoral of engineering degree in control science and engineering from Guangdong University of Technology (廣東工業大學) in the PRC in June 2018.

Based on relevant research results, Dr. Lu was awarded the first prize of the Science and Technology Progress Award (科學技術進步獎一等獎) by the Ministry of Education of the PRC in February 2018, the first prize of Sichuan Province Science and Technology Progress Award (First Completer) (四川省科學技術進步獎一等獎(第一完成人)) by the People's Government of Sichuan Province in May 2018, and the special prize of Science and Technology Progress Award of the Chinese Association of Automation 2023 by the Chinese Association of Automation in November 2023. Dr. Lu was selected as a leading entrepreneur in science and technology for the ninth batch of the National High-Level Talent Special Support Program in September 2024.

**Dr. Wang Lei (王磊)**, aged 45, is our executive Director and chief executive officer. Dr. Wang was appointed as a Director in June 2018. He is responsible for the daily operation and general management of the business of our Group and assisting in strategic planning and major decisions of our Group. He also holds directorship in various subsidiaries of our Group.

Dr. Wang has over 15 years of experience in the application of space technology, investment and management. Prior to joining our Group, Dr. Wang consecutively served as an associate researcher and an associate director of National Disaster Reduction Center of Ministry of Civil Affairs of the PRC (中華人民共和國民政部國家減災中心) from July 2007 to October 2014. From December 2014 to May 2016, he served as the general manager of business department of Beijing Culture and Technology Financial Leasing Co., Ltd (北京市文化科技融資租賃股份有限公司).

Dr. Wang obtained a bachelor of engineering degree in electrical information engineering from University of Science and Technology of China (中國科學技術大學) in the PRC in July 2002 and a doctoral of science degree in cartography and geographic information systems from Institute of Remote Sensing Applications of Chinese Academy of Sciences (中國科學院遙感應用研究所) in the PRC in July 2007. He obtained from the Ministry of Civil Affairs of the PRC (中華人民共和國民政部) the qualifications as an assistant researcher and a deputy researcher with effect from October 2007 and July 2011, respectively.

Dr. Wang was recognized as Class C Talents in Chengdu Hi-tech Zone (成都市高新區C類人才) by Chengdu Hi-tech Zone Science and Technology and Talent Work Bureau (成都高新區科技和人才工作局) in June 2020.

**Dr. Zhao Hongjie (趙宏傑)**, aged 40, is our executive Director and executive vice president. Dr. Zhao was appointed as a Director in May 2018. He is responsible for project management, quality management and public relation affairs of our Group and assisting in strategic planning and major decisions of our Group.

Dr. Zhao has over 10 years of experience in communication technologies in aerospace. Prior to joining our Group, Dr. Zhao consecutively worked on R&D and design in Aerospace Long March Rocket Technology Co., Ltd. (航天長征火箭技術有限公司) from April 2014 to February 2018. From March 2018 to April 2018, he served as the deputy chief engineer of Sichuan Electronic Information Industry Technology Research Institute Co., Ltd (四川省電子信息產業技術研究院有限公司).

Dr. Zhao obtained a bachelor of engineering degree in information engineering from Beijing Institute of Technology (北京理工大學) in the PRC in July 2006 and a doctoral of engineering degree in communication and information systems from the same university in the PRC in March 2014. He was qualified as an engineer by The China Aerospace Science and Technology Corporation (中國航天科技集團公司) since August 2014 and a senior engineer specializing in electronic information technology by Chengdu Human Resources and Social Security Bureau (成都市人力資源和社會保障局) in May 2021.

Dr. Zhao was granted the title "Specially Appointed Expert in Chengdu" in November 2019 by Organization Department of Chengdu Committee of the Communist Party of China (中共成都市委組織部) and Chengdu Human Resources and Social Security Bureau (成都市人力資源和社會保障局), and "Specially Appointed Expert in Sichuan" in March 2020 by Organization Department of Sichuan Provincial Committee of the Communist Party of China and Sichuan Provincial Department of Human Resources and Social Security. He was also recognised as a 2021 Chengdu Big Data Leading Talent (2021年成都市大數據領軍人才) by Chengdu New Economic Development Committee (成都市新經濟發展委員會) in August 2022.

**Mr. Huang Ruoliang (黃若亮)**, aged 41, is our executive Director and chief administrative officer. Mr. Huang was appointed as a Director in August 2019. He is responsible for human resources, supply chain and asset management and sales affairs of our Group. He also holds directorship in various subsidiaries of our Group.

Mr. Huang has over 15 years of experience in human resources management. Prior to joining our Group, Mr. Huang consecutively served various positions in the human resources department in China Resources Snow Breweries (China) Investment Co., Ltd. (華潤雪花啤酒(中國)投資有限公司) and its subsidiaries from August 2006 to January 2014 and then as the deputy general manager at the subsidiary from January 2014 to May 2016.

Mr. Huang obtained a bachelor of economics degree in international economics and trade from University of Electronic Science and Technology of China (電子科技大學) in the PRC in July 2006 and a master degree in business administration from the same university in the PRC in December 2014.

**Mr. Guo Yong (郭勇)**, aged 38, is our executive Director and senior vice president. He was appointed as a Director in January 2022. He is responsible for shareholder relations, management of shareholders' meetings, board meetings and supervisor meetings, and administrative and engineering construction affairs of our Group.

Mr. Guo has nearly 10 years of experience in project investment and financing. Prior to joining our Group, from June 2015 to August 2018, he consecutively served as a mergers and acquisitions specialist and an assistant to the executive vice president of China Security Co., Ltd. (中安科股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600654).

Mr. Guo obtained a bachelor of management degree in engineering management from Urban Construction College (城市建設學院) of Anhui Jianzhu Industrial Institute (安徽建築工業學院, now known as Anhui Jianzhu University (安徽建築大學)) in the PRC in July 2010 and a master of management degree in management science and engineering management from Hunan University (湖南大學) in the PRC in June 2013. Mr. Guo obtained the securities practising qualification by Securities Association of China (中國證券業協會) in April 2017, the fund practicing qualification from the Asset Management Association of China (中國證券投資基金業協會) in July 2017 and Board Secretary Qualification Certificate from Shanghai Stock Exchange and Shenzhen Stock Exchange in April 2017 and September 2020, respectively.

**Non-executive Directors**

**Mr. Wu Tao (吳韜),** aged 52, is our non-executive Director. Mr. Wu was appointed as a Director in September 2024. He is responsible for participating in the formulation of the general corporate business plans, strategies and major decisions of our Group through the Board.

Mr. Wu has years of experience in accounting, banking and finance. Mr. Wu worked in Bank of China Shenzhen Branch after graduation until October 2015, with his last position as the general manager of the international finance department of the branch. From November 2015 to January 2017, he served as the managing director of Shenzhen Guijin Financial Leasing Company (深圳市貴金融資租賃公司). He joined Shenzhen Century Galaxy Capital Management Co., Ltd (深圳市世紀星河資本管理有限公司) in March 2017, and currently serves as the partner of Galaxy Capital (星河資本) and the general manager of the fund management center of the holding group.

Mr. Wu obtained a bachelor of economics degree in money banking from Southwestern University of Finance and Economics (西南財經大學) in the PRC in July 1995 and a master of economics degree in money banking from Southwestern University of Finance and Economics (西南財經大學) in the PRC in July 1998.

**Mr. Fang Guiming (方貴明)**, aged 47, is our non-executive Director. Mr. Fang was appointed as a Director in November 2024. He is responsible for participating in the formulation of the general corporate business plans, strategies and major decisions of our Group through the Board.

Mr. Fang has over 20 years of experience in financial management and investment. From May 2004 to July 2018, he served as the person in charge of finance of Dongguan Vanke Real Estate Co., Ltd. (東莞市萬科房地產有限公司). He then worked as the deputy general manager of Guangdong Vanke Investment Development Co., Ltd. (廣東萬科投資發展有限責任公司) from August 2018 to December 2019. He served as the deputy general manager of China General New Properties Co., Ltd. (中國通用新興地產有限公司) from January 2020 to June 2022. After that, he has been serving as the deputy general manager of Guangdong Wanquan Investment Development Co., Ltd. (廣東萬全投資發展有限責任公司).

Mr. Fang obtained a bachelor's degree in accounting from Zhongnan University of Economics and Law (中南財經政法大學) in the PRC in July 2000.

**Ms. Qiu Hui (邱慧)**, aged 49, is our non-executive Director. She was appointed as a Director in May 2021. She is responsible for participating in the formulation of the general corporate business plans, strategies and major decisions of our Group through the Board.

Ms. Qiu has years of experience in enterprise operation and management. During July 2008 to August 2020, she worked at Shanghai Pudong Development Bank Co., Ltd (上海浦東發展銀行股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600000), with her last position as the branch manager. During September 2020 to April 2021, she worked in Guangdong Yueao Co-operation and Development Fund Management Co., Ltd (廣東粵澳合作發展基金管理有限公司) as the general manager and chairwoman of the board of directors. Since September 2021, she has been the chairwoman of the board of directors of Guangdong Hengxin Fund Management Co., Ltd (廣東恒信基金管理有限公司).

Ms. Qiu obtained a bachelor of science degree in statistics and probability in the Department of Mathematics from Sun Yat-sen University (中山大學) in the PRC in June 1998.

**Mr. Zhu Zhenhua (朱振華)**, aged 41, is our non-executive Director. Mr. Zhu was appointed as a Director in January 2025. He is responsible for participating in the formulation of the general corporate business plans, strategies and major decisions of our Group through the Board.

Mr. Zhu has years of experience in risk control and compliance management. He served as an associate at Haiwen & Partners (北京市海問律師事務所) from August 2009 to December 2013. He then served as the project manager of CITIC Trust Co., Ltd. (中信信託有限責任公司) from December 2013 to October 2015. He served as the senior business vice president of CITIC Jinxiu Capital Management Co., Ltd. (中信錦繡資本管理有限責任公司) from October 2015 to October 2016. After that, he took a legal and compliance role (法律合規崗) in CITIC Juxin (Beijing) Capital Management Co., Ltd. (中信聚信(北京)資本管理有限公司) from November 2016 to August 2017. Since August 2017, he has been the managing partner and chief operating officer (首席運營官) of Beijing HongTai TongChuang.

Mr. Zhu obtained his bachelor's degree in law from China University of Political Science and Law (中國政法大學) in June 2006. He further obtained his master's degree in law from the same university in June 2009. Mr. Zhu obtained Legal Professional Qualification Certificate in February 2007, which was issued by Ministry of Justice of the People's Republic of China.

**Dr. Sheng Xitai (盛希泰)**, aged 56, is our non-executive Director. Dr. Sheng was appointed as a Director in October 2024. He is responsible for participating in the formulation of the general corporate business plans, strategies and major decisions of our Group through the Board.

Dr. Sheng has years of experience in capital markets and financial investment. He served as an executive vice president of Shandong Securities Company (山東證券公司) from March 1994 to May 1996. During June 1998 to July 2012, he served various positions at Huatai United Securities Co., Ltd. (華泰聯合證券有限責任公司), including president and chairman of the board of directors. During his tenure as the president in the period from February 2004 to October 2011, he was in charge of the company's overall business, including investment banking, asset management, brokerage, etc. He co-founded Beijing HongTai TongChuang in November 2014 and has served as the chairman of the board of director ever since.

Dr. Sheng obtained a bachelor's degree in accounting from Shandong Institute of Economics (山東經濟學院, currently known as Shandong University of Finance and Economics (山東財經大學)) in the PRC in 1989. He obtained a master's degree in accounting from Nankai University (南開大學) in the PRC in 1992 and an Executive Master of Business Administration from Peking University (北京大學) in the PRC in July 2006. He then graduated with a doctorate in management science and engineering from Beijing Jiaotong University (北京交通大學) in the PRC in June 2020.

**Independent non-executive Directors**

**Mr. Huang Mingjian (黃明建)**, aged 46, was appointed as our independent non-executive Director on January 19, 2025. He is responsible for supervising and offering independent judgment to the Board.

Mr. Huang has years of experience in capital markets and corporate compliance. He has worked at Sichuan Junhe Law Firm since 2009 and currently serves as the managing director, senior partner and director of the company's legal affairs department. He also serves as an arbitrator at Deyang Arbitration Commission, Suining Arbitration Commission, Yibin Arbitration Commission, Dezhou Arbitration Commission and Zhongwei Arbitration Commission.

Mr. Huang graduated from Sichuan University (四川大學) with a bachelor's degree in law in December 2004.

Mr. Huang obtained his lawyer's practice certificate in April 2010, which was issued by Sichuan Provincial Department of Justice.

**Prof. Zhang Tianyu (張田余)**, aged 50, was appointed as our independent non-executive Director on January 19, 2025. He is responsible for supervising and offering independent judgment to the Board.

Prof. Zhang has an extensive professional accounting experience. He was a postdoctoral fellow at the School of Accountancy of the Chinese University of Hong Kong from December 2004 to July 2005. He worked at the Department of Accountancy of the City University of Hong Kong from August 2005 to December 2010, with his last position as an associate professor. After that, Prof. Zhang took various positions at the School of Accountancy of the Chinese University of Hong Kong from January 2011 to August 2021, with his last position as a professor. He has served as the presidential chair professor at the Chinese University of Hong Kong, Shenzhen (香港中文大學(深圳)) and the associate dean at the Shenzhen Institute of Data Economy (深圳數據經濟研究院) since September 2021.

Prof. Zhang held and has been holding directorship at various companies, including as an independent director of Shenzhen Netac Technology Co., Ltd. (深圳市朗科科技股份有限公司), a company listed on the Shenzhen Stock Exchange ChiNext market (stock code: 300042), during January 2011 to February 2017, as an independent non-executive director of Bay Area Gold Group Limited (灣區黃金集團有限公司) ("**BAG**"), a company formerly listed on the Stock Exchange (stock code: 1194) and delisted on March 14, 2024, during August 2017 to March 2024, and as an independent director of Shenzhen Langkun Environmental Group Co., Ltd. (深圳市朗坤環境集團股份有限公司, currently known as Shenzhen Langkun Technology Co., Ltd. (深圳市朗坤科技股份有限公司)), a company listed on the Shenzhen Stock Exchange ChiNext market (stock code: 301305), since May 2022.

Prof. Zhang graduated from Nankai University (南開大學) in the PRC in June 1997, majoring in accounting, from Shanghai University of Finance and Economics (上海財經大學) in the PRC in January 2000, majoring in accounting, and obtained a doctor of philosophy in accounting from The Hong Kong University of Science and Technology in Hong Kong in April 2005.

BAG, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability, was put into liquidation or winding-up during Prof. Zhang's tenure as an independent non-executive director during August 2017 to March 2024. Its principal business was gold mining. Petitions dated August 16, 2021 and September 10, 2021 were filed against BAG for a court order of winding up in relation to the aggregated outstanding sum of HK$16.2 million under the bonds issued by BAG on June 3, 2015 and December 2, 2014. On August 31, 2022, BAG was ordered to be wound up by the High Court of Hong Kong and its directors (including Prof. Zhang) have ceased to exercise directors' powers since then.

Prof. Zhang confirmed that there was no wrongful act on his part which led to the liquidation or winding up of BAG, and he is not aware of any actual or potential claim that has been or will be made against him as a result of the liquidation or winding-up of BAG.

**Prof. Huang Jianwei (黃建偉)**, aged 46, was appointed as our independent non-executive Director on January 19, 2025. He is responsible for supervising and offering independent judgment to the Board.

Prof. Huang has an extensive academic background. He took various positions at the Department of Information Engineering of the Chinese University of Hong Kong (香港中文大學) during 2007 to 2018, with his last position as a full professor. He has been the presidential chair professor and professor at the School of Science and Engineering of the Chinese University of Hong Kong, Shenzhen (香港中文大學(深圳)) since January 2019, and associate vice president (institutional development) since October 2022. He also worked as an associate dean of the School of Science and Engineering from January 2019 to December 2022. Besides, Prof. Huang was the independent non-executive director of Yijiahe Technology Co., Ltd. (億嘉和科技股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603666) during November 2018 to November 2021.

Prof. Huang obtained a bachelor of engineering degree in electronic information engineering from Southeast University (東南大學) in the PRC in June 2000, a master of science degree from Northwestern University in the United States in June 2003, and a doctor of philosophy degree from the same university in December 2005.

Prof. Huang's academic achievement is recognized by the honors and awards he received. Prof. Huang was executively awarded Stanford top 2% Scientists in the World by Stanford University from 2019 to 2021 and Elsevier Most Cited Chinese Researcher by Elsevier from 2021 to 2023. He was elected as a fellow of Asia-Pacific Artificial Intelligence Association in December 2022. He was awarded TCCN Publication Award by IEEE Communications Society in October 2022. He was awarded Distinguished Research Award by the Chinese University of Hong Kong, Shenzhen and recognized as one of the Best Computer Scientists by Research.com in November and August 2023, respectively.

**Dr. Wang Yanfeng (王延峰)**, aged 47, was appointed as our independent non-executive Director on January 19, 2025. He is responsible for supervising and offering independent judgment to the Board.

Dr. Wang has been holding positions at School of Electronic Information and Electrical Engineering of Shanghai Jiao Tong University (上海交通大學電子信息與電氣工程學院), including a deputy dean since 2015 and a senior professional and technical fellow since 2017. Dr. Wang served as a deputy dean at Artificial Intelligence Research Institute of Shanghai Jiao Tong University (上海交通大學人工智能研究院) from 2018 to July 2024, and has served as the executive dean of School of Artificial Intelligence of Shanghai Jiao Tong University (上海交通大學人工智能學院) since July 2024. Since November 2019, Dr. Wang has been serving as an independent director at Cloudwalk Technology Co., Ltd. (雲從科技集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 688327).

Dr. Wang obtained a doctorate in business management in June 2009 from Shanghai Jiao Tong University (上海交通大學) in the PRC.

Dr. Wang was recognized by a number of honors and awards he received. He was awarded Shanghai Youth May Fourth Medal (上海市青年五四獎章) in April 2013. He was awarded the first prize of Shanghai Science and Technology Progress Award (上海市科技進步一等獎) by The Shanghai Municipal People's Government twice, respectively in November 2017 and April 2020. He was awarded Shanghai Outstanding Academic Leader (上海市優秀學術帶頭人) by The Science and Technology Commission of Shanghai Municipality in December 2022. Furthermore, Dr. Wang currently serves as the Representative of the 16th Shanghai Municipal People's Congress.

**Prof. Gao Zhipeng (高志鵬)**, aged 45, was appointed as our independent non-executive Director on January 19, 2025. He is responsible for supervising and offering independent judgment to the Board.

Prof. Gao has been teaching at the School of Computer Science (National Pilot Software Engineering School) of Beijing University of Posts and Telecommunications (北京郵電大學) since June 2007 and as a professor since December 2016.

Prof. Gao obtained a doctor of engineering degree in computer science and technology from Beijing University of Posts and Telecommunications (北京郵電大學) in July 2007.

Prof. Gao was recognized by a number of honors and awards he received. He was awarded the second prize of Invention and Entrepreneurship Award • Innovation Award (發明創業獎•創新獎) by China Invention Association (中國發明協會) in October 2020, and the third prize of China Institute of Communications Science and Technology Award (中國通信學會科學技術獎) by China Institute of Communications in December 2023. He was awarded the second prize of the Science and Technology Progress Award of the Wu Wenjun Artificial Intelligence Science and Technology Award (吳文俊人工智能科學技術獎科技進步獎) by Chinese Association for Artificial Intelligence (中國人工智能學會) in March 2024. Besides, he has been a committee member of China Computer Federation (中國計算機學會) since January 2024.

## SUPERVISORY COMMITTEE

Brief information of our Supervisors is set out below:

| Name | Age | Position | Date of joining our Group | Date of appointment as Supervisor | Principal roles and responsibilities | Relationship with other Directors, Supervisors and senior management |
|---|---|---|---|---|---|---|
| Ms. Chen Meng (陳夢) | 34 | Supervisor and chairwoman of the Supervisory Committee | April 1, 2019 | September 24, 2024 | Responsible for the daily management of the Supervisory Committee and supervising the daily operation of the Group | None |
| Mr. Tang Qinlei (唐欽雷) | 36 | Supervisor | May 1, 2018 | June 25, 2018 | Responsible for the daily management of the Supervisory Committee and supervising the daily operation of the Group | None |
| Ms. Wang Fang (王芳) | 33 | Supervisor | November 24, 2020 | January 25, 2022 | Responsible for the daily management of the Supervisory Committee and supervising the daily operation of the Group | None |

**Ms. Chen Meng (陳夢)**, aged 34, is our Supervisor. She joined our Group in April 2019. Prior to joining our Group, Ms. Chen worked at Chengdu Research Institute of University of Electronic Science and Technology of China during May 2016 to March 2018. From April 2018 to March 2019, she worked at Chengdu Wancheng Yike Investment Management Co., Ltd. (成都萬成易科投資管理有限公司).

Ms. Chen obtained a bachelor of art degree in Chinese languages and literatures from Leshan Normal University (樂山師範學院) in June 2012 and a master's degree in Chinese ethnic minority languages and literatures from Minzu University of China (中央民族大學) in June 2016.

**Mr. Tang Qinlei (唐欽雷)**, aged 36, is our Supervisor. He joined our Group in May 2018. Mr. Tang was further appointed as an employee representative Supervisor since January 2022. Prior to joining our Group, Mr. Tang worked in Chengdu Public Transport Group Beixing Bus Co., Ltd. (成都公交集團北星巴士有限公司) from September 2013 to May 2014 and Chengdu Research Institute of University of Electronic Science and Technology of China (電子科技大學成都研究院) from July 2015 to April 2018.

Mr. Tang obtained a bachelor of engineering degree in transportation engineering from Xihua University (西華大學) in the PRC in June 2013.

**Ms. Wang Fang (王芳)**, aged 33, is our Supervisor. She joined our Group in November 2021. Prior to joining our Group, Ms. Wang worked in Shenzhen Dingyi Culture and Tourism Group Co., Ltd. (深圳市鼎彝文化旅遊集團有限公司) from December 2014 to January 2017. From February 2017 to October 2021, she worked in Chengdu Sikmir Culture Communication Co., Ltd. (成都思克米爾文化傳播有限公司).

Ms. Wang obtained a bachelor of history degree in ethnology from Southwest Minzu University (西南民族大學) in the PRC in June 2015.

## SENIOR MANAGEMENT

Brief information of our senior management is set out below:

| Name | Age | Position | Date of joining our Group | Date of appointment as senior management | Principal roles and responsibilities | Relationship with other Directors, Supervisors and senior management |
|---|---|---|---|---|---|---|
| Dr. Lu Chuan (陸川) . . . . . | 41 | Executive Director and chairman of the Board | May 3, 2018 | May 3, 2018 | Responsible for the overall strategic planning and major business decisions of our Group, supervising the operational efficiency of the management system and product research and development | None |
| Dr. Wang Lei (王磊) . . . . . | 45 | Executive Director and chief executive officer | June 1, 2018 | June 1, 2018 | Responsible for the daily operation and general management of the business of our Group and assisting in strategic planning and major decisions of our Group | None |
| Dr. Zhao Hongjie (趙宏傑) . . . | 40 | Executive Director and executive vice president | May 3, 2018 | May 3, 2018 | Responsible for the project management, quality management and public relation affairs of our Group and assisting in strategic planning and major decisions of our Group | None |
| Mr. Huang Ruoliang (黃若亮) . . . | 41 | Executive Director and chief administrative officer | May 9, 2018 | May 9, 2018 | Responsible for human resources, supply chain and asset management and sales affairs of our Groups operation | None |

| Name | Age | Position | Date of joining our Group | Date of appointment as senior management | Principal roles and responsibilities | Relationship with other Directors, Supervisors and senior management |
|---|---|---|---|---|---|---|
| Mr. Guo Yong (郭勇) | 38 | Executive Director and senior vice president | August 20, 2018 | August 20, 2018 | Responsible for shareholder relations, management of shareholders' meetings, board meetings and supervisor meetings, and administrative and engineering construction affairs of our Group | None |
| Mr. Zhao Ruifeng (趙瑞峰) | 48 | Chief scientist of satellite supply chain | August 1, 2023 | August 1, 2023 | Responsible for the research and development of satellite technology and satellite supply chain management | None |
| Mr. Tan Xinglin (譚興林) | 40 | Senior vice president | June 20, 2022 | June 20, 2022 | Responsible for strategic expansion and industrial cooperation | None |
| Mr. Wang Yabo (王亞波) | 42 | Senior vice president | August 5, 2022 | August 5, 2022 | Responsible for satellite resource management and business development | None |
| Mr. Geng Ting (耿霆) | 39 | Chief financial officer | July 29, 2024 | July 29, 2024 | Responsible for the financial and capital management | None |

**Dr. Lu Chuan (陸川)**, is our executive Director and chairman of the Board. See "— Executive Directors" for the biographical details of Dr. Lu.

**Dr. Wang Lei (王磊)**, is our executive Director and chief executive officer. See "— Executive Directors" for the biographical details of Dr. Wang.

**Dr. Zhao Hongjie (趙宏傑)**, is our executive Director and executive vice president. See "— Executive Directors" for the biographical details of Dr. Zhao.

**Mr. Huang Ruoliang (黃若亮)**, is our executive Director and chief administrative officer. See "— Executive Directors" for the biographical details of Mr. Huang.

**Mr. Guo Yong (郭勇)**, is our executive Director and senior vice president of our Company. See "— Executive Directors" for the biographical details of Mr. Guo.

**Mr. Zhao Ruifeng (趙瑞峰)**, aged 48, joined our Group in August 2023 and is the chief scientist of satellite supply chain of our Company. Mr. Zhao has over 20 years of experience in satellite R&D. Prior to joining our Group, Mr. Zhao worked at Shanghai Satellite Engineering Institute (上海衛星工程研究所) from July 2000 to September 2018. From October 2018 to May 2020, he worked at Yinhe Hangtian (Beijing) Technology Co., Ltd. (銀河航天(北京)科技有限公司). From April 2021 to July 2023, he served as a specialist engineer of Shanghai Yuanxin Satellite Technology Co., Ltd. (上海垣信衛星科技有限公司).

Mr. Zhao obtained a bachelor of engineering degree in automated testing and control from Harbin Institute of Technology (哈爾濱工業大學) in the PRC in July 2000 and a master of engineering degree in electronics and communications engineering from Shanghai Jiao Tong University (上海交通大學) in the PRC in March 2011. Mr. Zhao was awarded the qualification of the engineer (工程師), the senior engineer (高級工程師) and the researcher (研究員) in August 2004, August 2009 and August 2014, respectively, by Shanghai Aerospace Bureau Professional and Technical Position Review Committee (上海航天局專業技術職務評審委員會).

**Mr. Tan Xinglin (譚興林)**, aged 40, joined our Group in June 2022 and is the senior vice president of our Company. He also holds directorship in various subsidiaries of our Group. Mr. Tan has over 10 years of experience in project management. Prior to joining our Group, from December 2013 to August 2016, he worked at Shenzhen Municipal Government Office (深圳市政府辦公廳). From September 2016 to May 2018, he served as the deputy general manager of Kaisa Group Company Limited (佳兆業集團有限公司). From May 2018 to February 2021, he served as the general manager of investment development of Foshan Midea Real Estate Development Co., Ltd. (佛山市美的房地產發展有限公司). He joined Shenzhen Xiayouxing Culture Communication Co., Ltd. (深圳市夏優星文化傳播有限公司, formerly known as Shenzhen Xiayouxing Technology Co., Ltd. (深圳市夏優星科技有限公司)) since December 2020, and has served as the director and general manager ever since.

Mr. Tan obtained a bachelor of engineering degree in environmental engineering from Beijing Technology and Business University (北京工商大學) in the PRC in June 2006 and a master of engineering degree in chemical engineering and technology from Tsinghua University (清華大學) in the PRC in June 2009.

**Mr. Wang Yabo (王亞波)**, aged 42, joined our Group in August 2022 and is the senior vice president of our Company. He also holds directorship in various subsidiaries of our Group. Mr. Wang has over 15 years of experience in satellite project design and management. Prior to joining our Group, Mr. Wang worked at Shanghai Aerospace System Engineering Research Institute in China Aerospace Science and Technology Corporation (中國航天科技集團有限公司上海宇航系統工程研究所) from July 2009 to September 2011. From September 2016 to July 2022, he was served as the vice president of Beijing Commsat Technology Development Co., Ltd. (北京九天微星科技發展有限公司).

Mr. Wang obtained a bachelor of engineering degree in engineering mechanics from Nanjing University of Science & Technology (南京理工大學) in the PRC in July 2006 and a master of engineering degree in general mechanics and fundamentals of mechanics from Fudan University (復旦大學) in the PRC in July 2009. Mr. Wang was awarded the qualification of International Project Manager Professional Level C by the International Project Management Association and Project Management Research Committee in August 2015.

**Mr. Geng Ting (耿霆)**, aged 39, joined our Group in July 2024 and is the chief financial officer of our Company.

Mr. Geng has years of experience in accounting and financial management. Prior to joining our Group, Mr. Geng served as the project manager of Zhongshen Zhonghuan Certified Public Accountants (Special General Partner) Guangzhou Branch (中審眾環會計師事務所(特殊普通合夥人)廣州分所) from December 2018 to October 2021. He then served as the deputy director of finance of Sino-Synergy Hydrogen Energy Technology (Jiaxing) Co., Ltd. (國鴻氫能科技(嘉興)股份有限公司), a company listed on the Stock Exchange (stock code: 09663), from October 2021 to December 2023. After that, he served as the financial director at Puzhou Technology Co., Ltd. (普宙科技有限公司) from December 2023 to June 2024.

Mr. Geng obtained a bachelor of engineering degree in aircraft systems and engineering from Naval Aviation Engineering School (海軍航空工程學院, currently known as Naval Aeronautical University (中國人民解放軍海軍航空大學)) in June 2008. He then obtained a master of science degree in system analysis and integration from the same university in December 2010.

He obtained the tax agent professional qualification certificate in November 2018. He was admitted as the certified public accountant in November 2020. Besides, he obtained his legal professional qualification certificate in June 2023.

## JOINT COMPANY SECRETARIES

**Ms. Wang Fang (王芳)** was appointed as the joint company secretary of our Company on January 4, 2025 with effect from the [**REDACTED**]. See "— Supervisory Committee" above for the biographical details of Ms. Wang.

**Ms. Yu Wing Sze (余詠詩)** was appointed as the joint company secretary on January 4, 2025 with effect from the [**REDACTED**]. Ms. Yu is a manager of TMF Hong Kong Limited with more than 15 years of experience in the corporate secretarial field. She has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies.

Ms. Yu is a Chartered Secretary, a Chartered Governance Professional and an associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. Ms. Yu obtained a bachelor's degree in business administration from the Chinese University of Hong Kong.

## BOARD COMMITTEES

Our Company has established three Board Committees in accordance with the relevant PRC laws and regulations, the Articles and the corporate governance practice under the Listing Rules, namely the Audit Committee, the Remuneration Committee and the Nomination Committee.

### Audit Committee

The Audit Committee of our Company consists of three members, namely, Mr. Huang Mingjian, Prof. Zhang Tianyu and Mr. Zhu Zhenhua. Mr. Huang Mingjian is the chairman of the Audit Committee. The primary responsibilities of the Audit Committee are to review and supervise our financial reporting process, including:

(a) to make recommendations to the Board on the appointment, replacement and removal of the external auditor, to consider and approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

(b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee shall discuss with the external auditors the nature and scope of the audit and reporting obligations before the audit commences;

(c) to develop and implement policy on engaging an external auditor to provide non-audit services;

(d) to monitor internal audit system of our Company and ensure the implementation of such systems;

(e) to facilitate communications between the internal audit department and external auditors;

(f) to review the financial information and relevant disclosures of our Company; and

(g) to monitor our Company in respect of financial reporting system, risk management and internal controls system.

**Remuneration Committee**

The Remuneration Committee of our Company consists of three Directors, including Dr. Wang Yanfeng, Dr. Wang Lei and Mr. Huang Mingjian. Dr. Wang Yanfeng is the chairman of the Remuneration Committee. The primary responsibilities of the Remuneration Committee include:

(a) to make recommendations to the Board on our Company's remuneration policy and structure for all Directors, Supervisors and senior management, and on the establishment of a formal and transparent procedure for developing the remuneration policy;

(b) to review and approve the remuneration proposals of senior management with reference to the Board's corporate goals and objectives;

(c) to make recommendations to the Board on the remuneration packages of the executive Directors and senior management or to determine, with delegated responsibility, the remuneration packages of the executive Directors and senior management. The remuneration packages shall include benefits in kind, pension rights and compensation payments (including compensation for loss or termination of their office or appointment);

(d) to make recommendations to the Board on the remuneration of non-executive Directors;

(e) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in our Group;

(f) to review and approve the compensation payable to the executive Directors and senior management for their loss or termination of office or appointment to ensure that such compensation is consistent with the contractual terms and is otherwise fair and not excessive;

(g) to review and approve the compensation arrangements relating to dismissal or removal of the Directors for misconduct to ensure that such compensation is consistent with the contractual terms and is otherwise fair and not excessive;

(h) to ensure that no Director or any of his associates is involved in deciding his own remuneration; and

(i) to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules.

**Nomination Committee**

The Nomination Committee of our Company consists of three members, Dr. Lu, Prof. Huang Jianwei and Prof. Gao Zhipeng. Dr. Lu is the chairman of the Nomination Committee. The primary responsibilities of the Nomination Committee include:

(a) to review the structure, size and composition of the Board (including the skills, knowledge and experience) at least annually and make recommendations on any proposed changes to the Board to complement our Company's corporate strategy;

(b) to identify individuals suitably qualified to become board members and select and make recommendations to the Board on the selection of individuals nominated for directorships;

(c) to assess the independence of the independent non-executive Directors; and

(d) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors (in particular the chairman of the Board and the Chief Executive Officer).

## CONFIRMATION FROM OUR DIRECTORS

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules on January 4, 2025, and (ii) understands his or her obligations as a director of a listed issuer on the Stock Exchange under the Listing Rules and further confirms that as of the Latest Practicable Date, he or she did not have any interest in a business which competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10 of the Listing Rules.

Each of the independent non-executive Directors confirms (i) his/her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) that he/she has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person of the Company under the Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect his/her independence at the time of his/her appointments.

## REMUNERATION OF DIRECTORS AND SUPERVISORS

The aggregate amount of remuneration paid to our Directors and Supervisors (including directors' fee, salaries and other benefits, discretionary bonus, retirement benefit scheme contributions and equity-settled share-based payments) for the years ended December 31, 2022 and 2023 and the nine months ended September 30, 2024 were approximately RMB17.5 million, RMB13.9 million, and RMB11.1 million, respectively. Further information on the remuneration of each Director and Supervisor during the Track Record Period is set out in Appendix I to this document.

For each of the years ended December 31, 2022 and 2023 and the nine months ended September 30, 2024, the aggregate amount of directors' fee, salaries and other benefits, discretionary bonus, retirement benefit scheme contributions and equity-settled share-based payments of the five highest-paid individuals of our Group were approximately RMB25.3 million, RMB50.4 million, and RMB71.2 million, respectively.

During the Track Record Period, no remuneration was paid or payable by our Company to our Directors, Supervisors or the five highest-paid individuals as an inducement to join or upon joining our Company. During the Track Record Period, no compensation was paid or payable by our Company to our Directors, former Directors, Supervisors, former Supervisors or the five highest-paid individuals for the loss of any office in connection with the management of the affairs of any subsidiary of our Company.

During the Track Record Period, none of our Directors or Supervisors has waived or agreed to waive any remuneration or benefits in kind. Save as disclosed above, no other payments were paid or payable by our Company or any of our subsidiaries to our Directors, Supervisors or the five highest-paid individuals during the Track Record Period.

Under the arrangement currently in force, the aggregate amounts of remuneration payable by our Company to our Directors and Supervisors for the year ending December 31, 2025 to be approximately RMB12.0 million. The actual remuneration of Directors and Supervisors in 2025 may be different from the expected remuneration.

## DIRECTORS' AND SUPERVISORS' INTEREST

Save as disclosed in this document, none of our Directors and Supervisors (i) held any other positions in our Company or any other members of our Group as of the Latest Practicable Date; (ii) had any other relationship with any Directors, Supervisors, senior management or Controlling Shareholder of our Company as of the Latest Practicable Date; and (iii) held any directorship in any other listed companies in the three years immediately prior to the date of this document.

## MANAGEMENT PRESENCE

We have applied for, and the Stock Exchange [has granted], a waiver from compliance with Rule 8.12 of the Listing Rules. See "Waivers from Strict Compliance with the Listing Rules."

## BOARD DIVERSITY POLICY

In order to enhance the effectiveness of our Board and to maintain high standard of corporate governance, the Board [has adopted] a board diversity policy (the "**Board Diversity Policy**"). The Board Diversity Policy sets out the criteria in selecting candidates to our Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Our Board currently consists of 14 male members and one female member, with five executive Directors, five non-executive Directors and five independent non-executive Directors at diverse age ranges. The members of our Board obtained degrees in various majors including engineering, accounting, law, economics, and science. We consider that our Board has a balanced mix of skillset including R&D, AI technology, application of space technology, management, accounting, among others experience, expertise, and diversity which enhances decision-making capability and the overall effectiveness of the Board in achieving sustainable business operation and enhancing shareholder value. We consider that our Broad satisfies our Broad Diversity Policy.

The Nomination Committee is responsible for reviewing the structure and diversity of the Board and selecting individuals to be nominated as Directors. After the [**REDACTED**], the Nomination Committee will monitor and evaluate the implementation of the Board Diversity Policy from time to time to ensure its continued effectiveness, and when necessary, make any revisions that may be required and recommend any such revisions to our Board for consideration and approval. The Nomination Committee will also include in successive annual reports a summary of the Board Diversity Policy, including any measurable objectives set for implementing the Board Diversity Policy and the progress on achieving these objectives.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

We are committed to achieving high standards of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. To accomplish this, we expect to comply with the corporate governance requirements under the Corporate Governance Code and Corporate Governance Report as set out in Appendix C1 to the Listing Rules after the [**REDACTED**].

## COMPLIANCE ADVISOR

We have appointed Guotai Junan Capital Limited as our compliance advisor pursuant to Rules 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, we must consult with and, if necessary, seek advice from our compliance advisor on a timely basis in the following circumstances:

(i) before the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including but not limited to share issues and share repurchases;

(iii) where our Company proposes to use the [**REDACTED**] of the [**REDACTED**] in a manner different from that detailed in this document, or where the business activities, developments or results of our Group deviate from any forecast, estimate or other information in this document; and

(iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of its listed securities or any other matters under Rule 13.10 of the Listing Rules.

Our compliance advisor will, in a timely manner, inform us of any amendments or supplements to the Listing Rules and any new or amended law, regulation or code in Hong Kong applicable to our Group. The term of the appointment of our compliance advisor shall commence on the [**REDACTED**] and end on the date when we distribute our annual report in respect of our financial results for the first full financial year commencing after the [**REDACTED**], and such appointment may be subject to extension by mutual agreement.

## CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Dr. Lu was entitled to exercise the voting rights attaching to 48.71% of the total issued Shares through Beijing New Era Space and Beijing Xingrong Yuhang, which are controlled by Dr. Lu by virtue of his role as their respective general partner, comprising the voting rights attaching to (i) 10.07% of the total issued Shares directly held by Beijing New Era Space; (ii) 23.51% of the total issued Shares directly held by Beijing Xingrong Yuhang; and (iii) 15.13% of the total issued Shares controlled by Beijing Xingrong Yuhang by virtue of the AIC Arrangements. As disclosed in "History, Development and Corporate Structure — Acting-in-Concert Arrangements", the acting-in-concert arrangement between Beijing Xingrong Yuhang and each of the AIC Shareholders will continue to be effective up until the time immediately prior to the [**REDACTED**].

Therefore, immediately following completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), Dr. Lu, through Beijing New Era Space and Beijing Xingrong Yuhang, shall be entitled to exercise the voting rights attaching to [**REDACTED**]% of the total issued Shares. Accordingly, Dr. Lu, Beijing New Era Space and Beijing Xingrong Yuhang constitute a group of Controlling Shareholders upon [**REDACTED**] for the purpose of the Listing Rules.

## INTERESTS OF THE CONTROLLING SHAREHOLDERS IN OTHER BUSINESSES

Our Controlling Shareholders confirmed that as of the Latest Practicable Date, they did not have any interest in other business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

## INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors consider that we are capable of carrying on our business independently from the Controlling Shareholders and their close associates after the [**REDACTED**], taking into consideration the factors below.

### Management Independence

Our business is managed and conducted by our Board and senior management. Upon [**REDACTED**], our Board consists of 15 Directors, comprising five executive Directors, five non-executive Directors and five independent non-executive Directors. Dr. Lu, one of our Controlling Shareholder, is our founder, chairman of the Board and executive Director.

Our Directors consider that we are able to carry on our business independently from our Controlling Shareholders from a management perspective for the following reasons:

(a) our daily management and operations are carried out by a senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Group. See "Directors, Supervisors and Senior Management";

(b) each Director is aware of his/her fiduciary duties as a director which require, among other things, that he/she acts for the benefit and in the interest of our Company and does not allow any conflict between his/her duties as our Director and his/her personal interests. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and a Director and/or his/her associate, he/she is required to declare the nature of such interest before voting at the relevant Board meetings of our Company in respect of such transactions and the interested Director shall abstain from voting and shall not be counted towards the quorum for the voting;

(c) we have five independent non-executive Directors and certain matters of our Company must always be referred to the independent non-executive Directors for review; and

(d) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and the Controlling Shareholders which would support our independent management. See "— Corporate Governance."

Based on the above, our Directors believe that our Board as a whole and together with our senior management are able to perform the managerial role in our Group independently from the Controlling Shareholders and their close associates after the [**REDACTED**].

**Operational Independence**

We do not rely on our Controlling Shareholders and their close associates for our daily operations. While our business operations and growth prospects might be affected by the experience and abilities of our founder, Dr. Lu, and our senior management and key personnel, we have our own departments specializing in business development, sales and marketing, financing, logistics, human resources, administration, internal audit, information technology, legal and compliance, or company secretarial functions which have been in operation and are expected to continue to operate separately and independently from our Controlling Shareholders and their close associates. In addition, we have our own headcount of employees for our operations and management for human resources.

We have independent access to suppliers and customers and an independent management team to handle our day-to-day operations. We also have sufficient capital, facilities, equipment and employees, administrative and corporate governance infrastructure, to operate the business independently We are also in possession of all relevant licenses, certificates, facilities and intellectual property rights necessary to carry on and operate our principal businesses and we have sufficient operational capacity in terms of capital and employees to operate independently.

Based on the above, our Directors believe that we are able to operate independently of our Controlling Shareholders and their close associates.

### Financial Independence

We have an independent financial system and make financial decisions according to our Group's own business needs. We have internal control and accounting systems and an independent finance department in charge of our treasury function. Our Company maintains bank accounts independently and does not share any bank account with our Controlling Shareholders. Our Company makes tax registration and pays tax independently with its own funds. As such, our Company's financial functions, such as cash and accounting management, invoices and bills, operate independently from our Controlling Shareholders and their close associates. We do not expect to rely on the Controlling Shareholders and their close associates for financing after the [**REDACTED**] as we expect that our working capital will be funded by the cash, cash equivalent on hand as well as the [**REDACTED**] from the [**REDACTED**].

In addition, we are capable of obtaining financing from Independent Third Parties, if necessary, without relying on any guarantee or security provided by our Controlling Shareholders or their respective close associates. As of the Latest Practicable Date, there were no outstanding loans or guarantee provided by or granted to the Controlling Shareholders or their respective close associates.

Based on the above, our Directors believe that we are capable of carrying on our business independently from, and do not place undue reliance on our Controlling Shareholders or their respective close associates after the [**REDACTED**].

## CORPORATE GOVERNANCE

Our Company will comply with the provisions of the Corporate Governance Code in Appendix C1 to the Listing Rules (the "**Corporate Governance Code**"), which sets out principles of good corporate governance.

Our Directors recognize the importance of implementing good corporate governance and effective internal control measures in protection of our Shareholders' interests. We would adopt the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and our Controlling Shareholders and their respective close associates:

(a) where a Shareholders' meeting is to be held for considering proposed transactions in which our Controlling Shareholders or any of their respective associates has a material interest, our Controlling Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;

(b) as part of our preparation for [**REDACTED**], we have amended our Articles of Association to comply with the Listing Rules which will become effective upon [**REDACTED**]. In particular, our Articles of Association provides that, a Director shall abstain from voting on any resolution approving any contract, transaction or arrangement in which such Director or any of his/her associates has a material interest nor shall such Director be counted in the quorum present at the Board meeting;

(c) our Company has established internal control mechanisms to identify connected transactions. Upon [**REDACTED**], if our Group enters into connected transactions with our Controlling Shareholders or any of their respective associates, we will comply with the applicable Listing Rules;

(d) we are committed that our Board shall include a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors). We have appointed five independent non-executive Directors, and we believe our independent non-executive Directors (i) possess sufficient experiences, (ii) are free of any business or other relationship which could interfere with the exercise of their independent judgment in any material manner, and (iii) will be able to provide an impartial and external opinion to protect the interests of our Shareholders as a whole. See "Directors, Supervisors and Senior Management";

(e) where our Directors reasonably request the advice of independent professionals or advisors, such as financial advisors, valuers or legal advisors, the appointment of such independent professionals or advisors will be made at our Company's expenses; and

(f) we have appointed Guotai Junan Capital Limited as our Compliance Advisor to provide us with advice and guidance in respect of compliance with the Listing Rules, including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and the Controlling Shareholders, and to protect minority Shareholders' interests after the [**REDACTED**].

## SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Share Subdivision, the Conversion of Unlisted Shares into H Shares and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), the following persons are expected to have an interest and/or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of our Company:

| | | | As of the Latest Practicable Date | | Immediately following the completion of the Share Subdivision, the Conversion of Unlisted Shares into H Shares and the [REDACTED] (assuming the [REDACTED] is not exercised)[1] | | |
|---|---|---|---|---|---|---|---|
| **Name of Shareholder** | **Type of Shares** | **Nature of Interest** | **Number of Shares** | **Approximate percentage in the total share capital of the Company** | **Number of Shares** | **Approximate percentage of shareholding in the relevant type of Shares[2]** | **Approximate percentage in the total share capital of the Company** |
| **Dr. Lu[3]** | Unlisted Shares | Interest in controlled corporation | 12,864,728 | 33.58% | [REDACTED] | [REDACTED] | [REDACTED] |
| **Beijing Xingrong Yuhang[3]** | Unlisted Shares | Beneficial owner | 9,005,312 | 23.51% | [REDACTED] | [REDACTED] | [REDACTED] |
| **Beijing New Era Space[4]** | Unlisted Shares | Beneficial owner | 3,859,416 | 10.07% | [REDACTED] | [REDACTED] | [REDACTED] |
| **Dr. Sheng Xitai[5]** | Unlisted Shares | Interest in controlled corporation | 4,537,393 | 11.84% | [REDACTED] | [REDACTED] | [REDACTED] |
| | H Shares | Interest in controlled corporation | – | – | [REDACTED] | [REDACTED] | [REDACTED] |
| **Wuxi Guoxing Fund[5]** | Unlisted Shares | Beneficial owner | 1,757,986 | 4.59% | [REDACTED] | [REDACTED] | [REDACTED] |
| | H Shares | Beneficial owner | – | – | [REDACTED] | [REDACTED] | [REDACTED] |
| **Hongtai Industrialization[5]** | Unlisted Shares | Beneficial owner | 1,705,975 | 4.45% | [REDACTED] | [REDACTED] | [REDACTED] |
| | H Shares | Beneficial owner | – | – | [REDACTED] | [REDACTED] | [REDACTED] |
| **Hongtai Kuyu[5]** | Unlisted Shares | Beneficial owner | 1,073,432 | 2.80% | [REDACTED] | [REDACTED] | [REDACTED] |
| | H Shares | Beneficial owner | – | – | [REDACTED] | [REDACTED] | [REDACTED] |
| **Galaxy Industry Group** | Unlisted Shares | Beneficial owner | 3,835,374 | 10.01% | [REDACTED] | [REDACTED] | [REDACTED] |
| | H Shares | Beneficial owner | – | – | [REDACTED] | [REDACTED] | [REDACTED] |
| **Shenzhen Capital Group** | Unlisted Shares | Beneficial owner | 1,495,556 | 3.90% | [REDACTED] | [REDACTED] | [REDACTED] |
| | H Shares | Beneficial owner | – | – | [REDACTED] | [REDACTED] | [REDACTED] |

| | | | As of the Latest Practicable Date | | Immediately following the completion of the Share Subdivision, the Conversion of Unlisted Shares into H Shares and the [REDACTED] (assuming the [REDACTED] is not exercised)(1) | | |
|---|---|---|---|---|---|---|---|
| Name of Shareholder | Type of Shares | Nature of Interest | Number of Shares | Approximate percentage in the total share capital of the Company | Number of Shares | Approximate percentage of shareholding in the relevant type of Shares(2) | Approximate percentage in the total share capital of the Company |
| **Hengkun Development Fund** | Unlisted Shares | Beneficial owner | 1,489,569 | 3.89% | [REDACTED] | [REDACTED] | [REDACTED] |
| | H Shares | Beneficial owner | – | – | [REDACTED] | [REDACTED] | [REDACTED] |
| **Huizhou Yilin Investment** | Unlisted Shares | Beneficial owner | 1,073,419 | 2.80% | [REDACTED] | [REDACTED] | [REDACTED] |
| | H Shares | Beneficial owner | – | – | [REDACTED] | [REDACTED] | [REDACTED] |

*Notes:*

(1) All interests stated are long position.

(2) The calculation is based on the assumption that immediately following the completion of the Share Subdivision, the Conversion of Unlisted Shares into H Shares and the [**REDACTED**], there will be (i) a total number of [**REDACTED**] Unlisted Shares in issue; (ii) a total number of [**REDACTED**] H Shares to be converted from Unlisted Shares; and (iii) a total number of [**REDACTED**] H Shares to be issued pursuant to the [**REDACTED**] (taking into account the Share Subdivision and assuming the [**REDACTED**] is not exercised).

(3) The general partner of Beijing Xingrong Yuhang is Dr. Lu. As such, Dr. Lu is deemed to be interested in the Shares held by Beijing Xingrong Yuhang for the purpose of Part XV of the SFO.

(4) The general partner of Beijing New Era Space is Dr. Lu. As such, Dr. Lu is deemed to be interested in the Shares held by Beijing New Era Space for the purpose of Part XV of the SFO.

(5) The general partner(s) of (a) Hongtai Industrialization is Beijing Hongtai Tongchuang, (b) Hongtai Kuyu are Beijing Hongtai Tongchuang and Hongtai Lecheng, and (c) Wuxi Guoxing Fund is Wuxi Xingxin Co-Creation Investment. Beijing Hongtai Tongchuang, Hongtai Lecheng and Wuxi Xingxin Co-Creation Investment are ultimately owned by Dr. Sheng Xitai, our non-executive Director. As such, Dr. Sheng Xitai is deemed to be interested in the Shares held by Hongtai Industrialization, Hongtai Kuyu and Wuxi Guoxing Fund for the purpose of Part XV of the SFO.

Save as disclosed above and the section headed "Statutory and General Information — 4. Disclosure of Interests — A. Substantial Shareholders" of Appendix VII in this document, our Directors are not aware of any other person who will, immediately following the completion of the Share Subdivision, the Conversion of Unlisted Shares into H Shares the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), have any interest and/or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of our Company or any other member of our Group.

## OUR SHARE CAPITAL

### Immediately before the [REDACTED]

As of the Latest Practicable Date, the registered share capital of our Company was RMB38,309,442, consisting of 38,309,442 Unlisted Shares, with a nominal value of RMB1.00 each.

Immediately prior to the [**REDACTED**], the ordinary shares of the Company will be split on a one for ten basis, and the registered share capital of our Company will be RMB38,309,442, comprising [383,094,420] Unlisted Shares in issue of nominal value RMB0.10 each.

### Upon completion of the [REDACTED]

Immediately after the Share Subdivision, the Conversion of Unlisted Shares into H Shares and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), the share capital of our Company will be as follows:

| Description of Shares | Number of Shares | Approximate % of the enlarged issued share capital |
|---|---|---|
| Unlisted Shares in issue | [**REDACTED**] | [**REDACTED**] |
| H Shares to be converted from Unlisted Shares | [**REDACTED**] | [**REDACTED**] |
| H Shares to be issued pursuant to the [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| **Total** | [**REDACTED**] | **100%** |

Assuming the [**REDACTED**] is exercised in full, the share capital of our Company immediately following the Share Subdivision, the Conversion of Unlisted Shares into H Shares and the [**REDACTED**] will be as follows:

| Description of Shares | Number of Shares | Approximate % of the enlarged issued share capital |
|---|---|---|
| Unlisted Shares in issue | [**REDACTED**] | [**REDACTED**] |
| H Shares to be converted from Unlisted Shares | [**REDACTED**] | [**REDACTED**] |
| H Shares to be issued pursuant to the [**REDACTED**] (excluding any shares which may be issued under the [**REDACTED**]) | [**REDACTED**] | [**REDACTED**] |
| H Shares to be issued pursuant to the exercise of [**REDACTED**] in full | [**REDACTED**] | [**REDACTED**] |
| **Total** | [**REDACTED**] | **100%** |

The Conversion of Unlisted Shares into H Shares will involve an aggregate of [**REDACTED**] Unlisted Shares held by [32] existing Shareholders, representing approximately [**REDACTED**] of total issued Shares upon completion of the Share Subdivision, the Conversion of Unlisted Shares into H Shares and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised). Set out below are such Shares held by our existing Shareholders and their respective shareholding upon completion of the Share Subdivision, the Conversion of Domestic Unlisted Shares into H Shares and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised).

| | | Number of Shares immediately following the completion of the Share Subdivision, the Conversion of Unlisted Shares into H Shares and the [REDACTED] (assuming the [REDACTED] is not exercised) | |
|---|---|---|---|
| **Shareholder** | **Number of Unlisted Shares as of the Latest Practicable Date** | **Unlisted Shares** | **H Shares converted from Unlisted Shares** |
| Beijing Xingrong Yuhang | 9,005,312 | [**REDACTED**] | [**REDACTED**] |
| Beijing New Era Space | 3,859,416 | [**REDACTED**] | [**REDACTED**] |
| **Pre-[REDACTED] Investors** | | | |
| Galaxy Industry Group | 3,835,374 | [**REDACTED**] | [**REDACTED**] |
| *Hongtai* | | | |
| – Wuxi Guoxing Fund | 1,757,986 | [**REDACTED**] | [**REDACTED**] |
| – Hongtai Industrialization | 1,705,975 | [**REDACTED**] | [**REDACTED**] |
| – Hongtai Kuyu | 1,073,432 | [**REDACTED**] | [**REDACTED**] |
| Shenzhen Capital Group | 1,495,556 | [**REDACTED**] | [**REDACTED**] |
| Hengkun Development Fund | 1,489,569 | [**REDACTED**] | [**REDACTED**] |
| Huizhou Yilin Yixing Investment | 1,073,419 | [**REDACTED**] | [**REDACTED**] |
| Ouzhuo Enterprise | 910,897 | [**REDACTED**] | [**REDACTED**] |
| Guangdong Wanquan Investment | 910,897 | [**REDACTED**] | [**REDACTED**] |
| Hexing No. II Investment | 882,278 | [**REDACTED**] | [**REDACTED**] |
| Qingda Honghe | 852,987 | [**REDACTED**] | [**REDACTED**] |
| *Haijin* | | | |
| – Haijin Xingyu | 852,561 | [**REDACTED**] | [**REDACTED**] |
| – Haijin Juying | 17,060 | [**REDACTED**] | [**REDACTED**] |
| *Qingchuang* | | | |
| – Qingchuang Bole Gongyu | 778,297 | [**REDACTED**] | [**REDACTED**] |
| – Qingchuang Bole Fengqing | 55,670 | [**REDACTED**] | [**REDACTED**] |
| *Taizhou SCOG and its wholly owned subsidiaries* | | | |
| – Taizhou SCOG | 527,396 | [**REDACTED**] | [**REDACTED**] |
| – Taizhou Jintou | 410,197 | [**REDACTED**] | [**REDACTED**] |
| – Zhejiang Zhongjing | 58,600 | [**REDACTED**] | [**REDACTED**] |
| SME Development Fund | 503,432 | [**REDACTED**] | [**REDACTED**] |
| Xiuhu Fund | 426,494 | [**REDACTED**] | [**REDACTED**] |
| Beijing Xinghua Zhilian Investment | 424,528 | [**REDACTED**] | [**REDACTED**] |
| Guang Xin Development | 402,539 | [**REDACTED**] | [**REDACTED**] |
| Hongyu No. I Enterprise | 364,361 | [**REDACTED**] | [**REDACTED**] |

| Shareholder | Number of Unlisted Shares as of the Latest Practicable Date | Number of Shares immediately following the completion of the Share Subdivision, the Conversion of Unlisted Shares into H Shares and the [REDACTED] (assuming the [REDACTED] is not exercised) | |
|---|---|---|---|
| | | Unlisted Shares | H Shares converted from Unlisted Shares |
| Feng Meiqian | 335,621 | [REDACTED] | [REDACTED] |
| Huacang Yixing Investment | 335,621 | [REDACTED] | [REDACTED] |
| Tongkun Langtai | 335,621 | [REDACTED] | [REDACTED] |
| Jiaxing Tianhai Desheng | 297,914 | [REDACTED] | [REDACTED] |
| Guangdong Jiahao Investment | 283,019 | [REDACTED] | [REDACTED] |
| Wuxi Tianyanxing | 283,013 | [REDACTED] | [REDACTED] |
| Dongguan Investment | 283,013 | [REDACTED] | [REDACTED] |
| Kangjian Agricultural | 268,355 | [REDACTED] | [REDACTED] |
| Xinwu Fund | 255,896 | [REDACTED] | [REDACTED] |
| Ceyuan | | | |
| – Ceyuan Youchan | 255,896 | [REDACTED] | [REDACTED] |
| – Ceyuan Innovation | 85,299 | [REDACTED] | [REDACTED] |
| Shengren Investment | 223,425 | [REDACTED] | [REDACTED] |
| Xinjiang Communications Construction | 214,686 | [REDACTED] | [REDACTED] |
| Yinfeng Rongjin | 212,270 | [REDACTED] | [REDACTED] |
| CTG | 182,174 | [REDACTED] | [REDACTED] |
| Dongtou Chantou | 175,799 | [REDACTED] | [REDACTED] |
| Qingdao Juderong Financial | 167,811 | [REDACTED] | [REDACTED] |
| Zhenye Aerospace | 141,513 | [REDACTED] | [REDACTED] |
| Linzhi Zhengyuan | 134,184 | [REDACTED] | [REDACTED] |
| Haikou Zongbao Fund | 105,479 | [REDACTED] | [REDACTED] |
| Neijiang High-Tech Investment | 58,600 | [REDACTED] | [REDACTED] |
| **Total** | **38,309,442** | [REDACTED] | [REDACTED] |

## OUR SHARES

Upon completion of the [**REDACTED**] and Conversion of Unlisted Shares into H Shares, our Shares will consist of Unlisted Shares and H Shares. Unlisted Shares and H Shares are both ordinary Shares under the same class in the share capital of our Company.

Our H Shares may only be subscribed for and traded in Hong Kong dollars. Our Unlisted Shares, on the other hand, may only be subscribed for and traded in RMB. Apart from certain qualified domestic institutional investors in the PRC, through Shanghai-Hong Kong Stock Connect, or through Shenzhen-Hong Kong Stock Connect or other persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities, our H Shares generally cannot be subscribed for by or traded between legal or natural persons of the PRC. Our Unlisted Shares, on the other hand, can be purchased or transferred between legal or natural persons of the PRC, qualified foreign institutional investors and qualified foreign strategic investors.

We shall pay all dividends in respect of H Shares in Hong Kong dollars and all dividends in respect of Unlisted Shares in RMB. In addition to cash, dividends may be distributed in the form of Shares. For holders of H Shares, dividends in the form of Shares will be distributed in the form of additional H Shares. For holders of Unlisted Shares, dividends in the form of Shares will be distributed in the form of additional Unlisted Shares.

The [**REDACTED**] will rank *pari passu* in all respects with all Shares currently in issue or to be issued as mentioned in this document and will qualify and rank equally for all dividends or other distributions declared, made or paid on the Shares on a [**REDACTED**] which falls after the date of this document.

## CONVERSION OF OUR UNLISTED SHARES INTO H SHARES

If any of the Unlisted Shares are to be converted, listed and traded as H Shares on the Hong Kong Stock Exchange, such conversion, listing and trading will need to be filed with the relevant PRC regulatory authorities, including the CSRC, and the approval of the Stock Exchange.

### Filing with the CSRC for Full Circulation

In accordance with the Overseas Listing Trial Measures and related guidelines, H-share listed companies which apply for the conversion of unlisted shares into H shares for listing and circulation on the Hong Kong Stock Exchange shall file with the CSRC by filing materials on key compliance issues. An unlisted domestic joint stock company may apply for "full circulation" when applying for an overseas [**REDACTED**].

We [have filed] with the CSRC for, and the CSRC has registered the conversion of [**REDACTED**] Unlisted Shares into H Shares on a one-for-one basis immediately prior to the completion of the [**REDACTED**] and the CSRC [issued] the filing notice in respect of the [**REDACTED**] dated [●].

### [REDACTED] Approval by the Hong Kong Stock Exchange

We have applied to the Listing Committee for the granting of [**REDACTED**] of, and permission to deal in, (i) our H Shares to be issued pursuant to the [**REDACTED**] (including any H Shares which may be issued pursuant to the exercise of the the [**REDACTED**]), and (ii) the H Shares to be converted from the Unlisted Shares, on the Stock Exchange.

We will perform the following procedures for the Conversion of Unlisted Shares into H Shares after receiving the approval of the Stock Exchange: (1) giving instructions to our H Share Registrar regarding relevant share certificates of the converted H Shares; and (2) enabling the converted H Shares to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in the CCASS.

## LOCK-UP PERIODS

In accordance with Article 160 of the PRC Company Law, the shares issued prior to any [**REDACTED**] of shares by a company cannot be transferred within one year from the date on which such publicly offered shares are listed and traded on the relevant stock exchange. As such, the Shares issued by the Company prior to the [**REDACTED**] will be subject to such statutory restriction on transfer within a period of one year from the [**REDACTED**].

Our Directors, Supervisors and members of senior management shall declare their shareholdings in the Company and any changes in their shareholdings. Shares transferred by our Directors, Supervisors and members of the senior management each year during their term of office shall not exceed 25% of their total respective shareholdings in the Company. The Shares that the aforementioned persons held in the Company cannot be transferred within one year from the date on which the shares are listed and traded, nor within half a year after they leave their positions in the Company. The Articles of Association may contain other restrictions on the transfer of our Shares held by our Directors, Supervisors and members of senior management.

## REGISTRATION OF SHARES NOT LISTED ON AN OVERSEAS STOCK EXCHANGE

According to the Guidelines for the "Full Circulation" Program for Domestic Unlisted Shares of H-share Listed Companies (H股公司境內未上市股份申請"全流通"業務指引) announced by the CSRC, the domestic shareholders of unlisted shares shall handle share transfer registration in accordance with the relevant business rules of CSDC. And H-share companies should submit relevant status reports to the CSRC within 15 days after the shares involved in the application completing the transfer registration in CSDC.

## CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

For details of circumstances under which our Shareholders' general meetings are required, see "Appendix VI — Summary of the Articles of Association — Notice and Agenda of General Shareholders' Meeting."

*You should read the following discussion and analysis with our audited consolidated financial information, including the notes thereto, included in the Accountant's Report in Appendix I to this document. Our consolidated financial information has been prepared in accordance with IFRS.*

*The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in this document, including but not limited to the sections headed "Risk Factors" and "Business."*

*For the purpose of this section, unless the context otherwise requires, references to 2022 and 2023 refer to our financial years ended December 31 of such years. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.*

## OVERVIEW

Leveraging commercial aerospace and AI as our core technologies, we design and produce commercial satellites, ensuring stable operations and management, while delivering customized satellite-based solutions to meet the diverse needs of our customers. We are committed to developing commercial satellite constellations to build an integrated space—ground AI infrastructure, aiming to provide globally stable and sustainable satellite-based solutions and satellite-based computing services that are widely accessible, cost-effective and user-friendly.

During the Track Record Period, we primarily generated revenue from satellite-based solutions and satellites and related services. Our revenue increased steadily during the Track Record Period, from RMB177.4 million in 2022 to RMB507.5 million in 2023, and from RMB105.9 million in the nine months ended September 30, 2023 to RMB237.3 million in the same period in 2024. Meanwhile, our gross profit increased from RMB45.0 million in 2022 to RMB71.1 million in 2023, and from RMB19.3 million in the nine months ended September 30, 2023 to RMB61.4 million in the same period in 2024, respectively, representing a gross profit margin of 25.4%, 14.0%, 18.2% and 25.9% in the same respective periods. We had a net loss of RMB90.9 million, RMB139.3 million, RMB111.3 million and RMB213.7 million in 2022, 2023 and the nine months ended September 30, 2023 and 2024, respectively. The net loss during Track Record Period was primarily attributable to (i) our increasing operating expenses, particularly general and administrative expenses and research and development expenses, including share-based payments, and (ii) net impairment losses on financial assets. Our adjusted net loss (non-IFRS measure) after adding back share-based payments and [**REDACTED**] expenses was RMB[**REDACTED**], RMB[**REDACTED**], RMB[**REDACTED**] and RMB[**REDACTED**] in 2022, 2023 and the nine months ended September 30, 2023 and 2024, respectively.

## BASIS OF PREPARATION

The Historical Financial Information (as defined in Appendix I to this document) has been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board ("IFRS Accounting Standards"). The preparation of Historical Financial Information in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4 of Appendix I to this document.

The Historical Financial Information has been prepared on a historical cost conversion, as modified by revaluation of certain financial assets measured at fair value. In preparing the Historical Financial Information, the Group has consistently adopted all applicable new and amended IFRS Accounting Standards presented during the Track Record Period except for any new standard, amendment and interpretation to existing standards that are not yet effective. See Note 2 of Appendix I to this document.

## MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, materially affected by a number of factors, many of which are beyond our control, including the following:

### General Factors

Our business and operating results are impacted by general factors affecting the development of our industry, which include:

- Overall economic growth and per capita disposable income;
- Demand for our products and services in downstream markets;
- Prices of raw materials;
- Growth and competition environment of our industry;
- Relevant laws and regulations, governmental policies and initiatives; and
- Occurrence of force majeure events, outbreak of pandemics or epidemics, acts of war, social and economic chaos and natural disasters.

Unfavorable changes in any of these general industry conditions could materially and adversely affect demand for our products and services and/or the manner in which we offer our products and services, and materially and adversely affect our results of operations.

**Company-specific Factors**

Our business and results of operations are also affected by a number of key factors specific to our Group, which mainly include:

***Our Ability to Manage Sales, Delivery and Acceptance Cycle for Our Satellites***

Managing the sales and delivery cycle for our satellites is essential for maintaining a stable business and ensuring a consistent revenue stream. This comprehensive process involves multiple key stages, including entering into sales agreements, payload, platform and satellite R&D, assembly, testing, launch coordination, on-orbit delivery and post-launch operation and control management. Given the complexity and duration of this cycle, it is vital for us to effectively manage the schedule for each stage and manage timelines to ensure a stable business pipeline.

Our revenue from sales of satellites is recognized upon the transfer of control, typically at the completion of production and/or upon on-orbit delivery. Accordingly, effective execution is critical in each phase including satellite R&D, production, launch coordination and on-orbit delivery. Delays and failures in any phase may impact revenue recognition and thereby, affecting our financial performance. Consequently, optimizing project scheduling and timeline management and mitigating potential delays are vital to ensure each stage of the process is smoothly executed, maintaining operational stability and meeting customer expectations.

In addition to internal process management, external factors unique to our industry significantly affect our sales and delivery cycle. Regulatory approvals in the PRC and the available launch windows of carrier rockets represent a major external dependency of launch schedules. These stringent and time-intensive requirements may delay the timeline for satellite launches and, consequently, revenue recognition may be delayed. By addressing internal process efficiencies and external challenges, we aim to enhance our capability to navigate the complexities of the satellite sales and delivery cycle. This comprehensive approach enables us to align with regulatory requirements, uphold customer satisfaction, and achieve long-term business success.

During the Track Record Period, we generally recognized more revenue in the fourth quarter of a year, primarily due to the timing of inspection and acceptance of our products and solutions by certain customers resulting from their fiscal arrangement subject to their internal policies and protocols. As we believe that this pattern is likely to continue in the foreseeable future, quarterly comparisons of our operating results may not be useful and our results of operations in any particular period will not necessarily be indicative of the results of operations to be expected for any future period.

***Our Ability to Enhance Technology and Develop Our Products and Solutions***

Our ability to enhance our technological capabilities and develop products and solutions is crucial to our business success. Our financial performance hinges on our capability to maintain technological competitiveness, which is underpinned by our strategic investments in R&D. Benefitting from our increasing R&D efforts, we were the fastest-growing commercial aerospace company in China's satellite industry in terms of the revenue growth rate during the Track Record Period, according to Frost & Sullivan. We consistently invest in technology advancement to innovate and introduce new products and solutions to meet our customers' evolving needs. In 2022, 2023 and the nine months ended September 30, 2023 and 2024, our research and development expenses were RMB45.8 million, RMB53.5 million, RMB30.8 million and RMB104.9 million, respectively.

Our core technologies essential for satellite development and satellite-based solutions include AI application satellite R&D and production technology adapted to the space environment, rapid satellite customization based on modular satellite platforms, automated spatial dimension enhancement for remote sensing data based on the Lingjing Engine, and AI computing satellite R&D and production technology based on the high-power flat-panel satellite platform. See "Business — Our Technologies." We are committed to furthering our investment in R&D to enhance these technologies and expand our product and solution portfolio. This strategic focus will enable us to maintain our competitive edge and continue to meet the dynamic demands of our industry.

***Our Ability to Deepen Relationships with Existing Customers and Expand Our Customer Base***

Our future growth is dependent on our ability to maintain and deepen relationships with our existing customers. We primarily engage in business with customers across sectors such as aerospace, electronic products and software development and digital cultural creativity content production, among others. We aim to further deepen our collaboration with customers. Leveraging our technologies, we are well-equipped to deliver satellites and satellite-based solutions to our customers catering to various needs of our target markets, further enhancing customer loyalty and establishing long-term customer relationships.

In addition to nurturing existing relationships, we are dedicated to identifying and attracting new customers to expand our customer base. We believe that our technological capabilities, accumulated experience and well-established market recognition will continuously help us attract new customers. As of the Latest Practicable Date, we had jointly developed six conventional remote sensing satellites and one AI application satellite with our partners; we had also independently developed six AI payloads, four AI application satellites and four AI computing satellites. In addition, as of the Latest Practicable Date, we had successfully completed 13 space missions. In addition, we had also secured orders for the R&D and production of 20 additional AI computing satellites, and had entered into launch service agreements for 12 of these satellites that we expect to launch in 2025 as of the Latest Practicable Date. As our products and solutions become more established and recognized in the satellite industry, we expect to further expand our customer base to expand our business.

### *Our Ability to Effectively Manage Our Costs and Expenses and Enhance Operating Efficiency*

Our ability to achieve and maintain profitability is intrinsically linked to our capacity to control costs and expenses by enhancing our operating efficiency. In 2022, 2023 and the nine months ended September 30, 2023 and 2024, our operating expenses, including general and administrative expenses, research and development expenses and selling and marketing expenses, amounted to RMB152.5 million, RMB226.7 million, RMB148.1 million and RMB256.0 million, respectively, accounting for 85.9%, 44.7%, 139.8% and 107.9% of our revenue in the respective periods. Our ability to effectively manage our operating expenses will continue to have a significant impact on our financial results. We expect our operating expenses as a percentage of revenue to decrease as we continue to ramp up our production and achieve revenue growth, and improve the efficiency of general and administrative, R&D and selling and marketing activities and our spending on such activities. In addition, a significant portion of such expenses was related to our employee benefit expenses and share-based payment expenses, which are less likely to increase proportionally along with our revenue growth as we scale up.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments related to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and operational results. Our management continuously evaluates such estimates, assumptions and judgments based on past experience and other factors, including industry practices and expectations of future events that are deemed to be reasonable under the circumstances. There has not been any material deviation from our management's estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

We set forth below those accounting policies that we believe are of critical importance to us or involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements. Our material accounting policies, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, are set forth in Notes 2 and 4 of Appendix I to this document.

**Revenue Recognition**

Revenues are recognized when or as the control of the goods or services is provided to the customer. Depending on the terms of the contract and the laws that apply to the contract, services and products may be transferred over time or at a point in time.

Revenue is recognized when a performance obligation is satisfied by transferring control of the promised products or services to a customer in an amount that reflects the consideration expected to be collected in exchange for those products or services. The revenue recognition of the Group is determined through the following five steps:

- Identification of the contract, or contracts, with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract;
- Recognition of revenue when, or as, a performance obligation is satisfied.

***Revenue from Satellites and Related Services***

We design, manufacture and sell customized satellites based on customers' specific requirements and specifications. Revenue from the sale of satellites is recognized when control of the satellites has transferred, being when the products are accepted by the customer. The customers have full discretion over the satellites, and there is no unfulfilled obligation that could affect the customer's acceptance of the satellites.

We provide satellite-related services for customers, including launching services and operational control services. Revenue from rendering launching service is recognized when the service has been fulfilled, and revenue from rendering operational control services is recognized over time, as the customers simultaneously receive and consume the benefits provided by the service as specified in service contract. The stand-alone selling price for the performance obligation of the sales of satellites, launching services, and operational control services are generally observable directly.

***Revenue from Satellite-based Solutions***

We provide satellite-based solutions to customers, which refers to the use of advanced space technology with cutting-edge AI and data analytics technologies to provide customers with project-based comprehensive satellite internet solutions. A project-based integrated solutions consist of a comprehensive set of activities, such as project design, software deployment, software-embedded hardware and hardware infrastructures, implementation, installation, trial and acceptance of integrated solutions, and standard warranty services. These satellite-based solutions are provided through integrating the software, hardware infrastructures and services, all of which are highly interdependent and interrelated with each other and represent multiple inputs to a combined output that is transferred to the customer. Accordingly, the satellite-based solutions is accounted for as a single performance obligation.

Revenue is recognized at a point in time when the aforementioned satellite-based solutions are delivered to the customer's designated place, inspected and accepted by the customer.

Certain satellite-based solutions sales contracts contain provision of data services which are considered as a separate performance obligation. The stand-alone selling price for the performance obligation of the satellite-based solutions and data services are generally observable directly. The transaction price will be allocated to each performance obligation based on the standalone selling prices. We recognize service revenue over time in the period in which our customers simultaneously receive and consume the benefits provided by the service as specified in service contracts.

***Other Services***

Other services primarily include rendering intelligent parking solutions and software and hardware agency services. For the software and hardware agency services, we act as an agent in the services considering the fact that we are only responsible for matching resources, not subject to inventory risk and has no discretion in establishing prices. Therefore, revenue from the services is measured on a net basis. And the revenue is based on actual performance and accounted for as variable consideration, which is recognized when the performance is highly probable to be reached.

**Share-based Payment**

We operate an equity-settled share-based compensation plan, under which we receive service from our employees in exchange for our equity instruments. The fair value of equity-settled share-based payments for the services received from employees was measured at the grant date of the equity instruments. It was recognized as share-based payments in the profit or loss and as share-based payment reserve respectively. The total amount to be expensed is determined by reference to the fair value of the shares granted as at grant date, excluding the impacts of any service and non-market performance vesting conditions. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, we revised our estimates of the number of equity instruments that are expected to vest based on the non-market performance and service conditions. We recognize the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

Where there is any modification of terms and conditions which increases the fair value of the equity instruments granted, we include the incremental fair value granted in the measurement of the amount recognized for the services received over the remainder of the vesting period. The incremental fair value is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. An expense based on the incremental fair value is recognized over the period from the modification date to the date when the modified equity instruments vest in addition to any amount in respect of the original instrument, which should continue to be recognized over the remainder of the original vesting period. Furthermore, if the entity modifies the terms or conditions of the equity instruments granted in a manner that reduces the total fair value of the share-based payment arrangement, or is not otherwise beneficial to the employee, the entity shall nevertheless continue to account for the services received as consideration for the equity instruments granted as if that modification had not occurred (other than a cancellation of some or all the equity instruments granted).

**Property, Plant and Equipment**

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to us and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives or, in case of leasehold improvements, the shorter lease term, as follows:

| | Years |
|---|---|
| Buildings | 40 years |
| Self-owned Satellites | 3 to 5 years |
| Production equipment | 5 years |
| Office and electronic equipment | 3 to 5 years |
| Motor vehicles | 4 years |
| Leasehold improvements | the shorter of the lease term or the useful life |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gain and loss on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "Other gains — net" in the consolidated statements of comprehensive income. See Note 2.2.7 of Appendix I to this document.

Construction in progress represents unfinished construction and equipment under construction or pending for installation and is stated at cost less impairment losses. Cost comprises direct costs of construction including borrowing costs attributable to the construction during the period of construction. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use.

**Trade and Other Receivables**

Trade receivables are amounts due from customers for products sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. We hold the trade and other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method.

**Trade and Other Payables**

These amounts represent liabilities for products and services provided to us prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

**Current and Deferred Income Tax**

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax loss.

***Current Income Tax***

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where we and our subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. We measure our tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

***Deferred Income Tax***

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and loss.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

## DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

The following table sets forth a summary of our results of operations for the periods indicated:

| | Year ended December 31, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2022 | 2023 | 2023 | 2024 |
| | | | *(Unaudited)* | |
| | *(RMB in thousands)* | | | |
| **Revenue** | **177,421** | **507,541** | **105,921** | **237,279** |
| Cost of sales | (132,422) | (436,476) | (86,645) | (175,883) |
| **Gross profit** | **44,999** | **71,065** | **19,276** | **61,396** |
| Selling and marketing expenses | (35,380) | (41,984) | (30,401) | (20,105) |
| General and administrative expenses | (71,287) | (131,226) | (86,824) | (130,996) |
| Research and development expenses | (45,820) | (53,478) | (30,825) | (104,852) |
| Net impairment losses on financial assets and contract assets | (6,835) | (20,758) | (6,263) | (3,654) |
| Other income | 14,189 | 27,025 | 16,132 | 2,770 |
| Other gains/(loss) – net | 9,648 | 12,400 | 9,365 | (16,016) |
| **Operating loss** | **(90,486)** | **(136,956)** | **(109,540)** | **(211,457)** |
| Finance income | 361 | 733 | 440 | 788 |
| Finance costs | (776) | (2,241) | (1,656) | (2,182) |
| Finance costs – net | (415) | (1,508) | (1,216) | (1,394) |
| Share of loss of investments accounted for using the equity method | – | (710) | (522) | (823) |
| **Loss before income tax** | **(90,901)** | **(139,174)** | **(111,278)** | **(213,674)** |
| Income tax expenses | (6) | (126) | (2) | (1) |
| **Loss and total other comprehensive loss for the year/period** | **(90,907)** | **(139,300)** | **(111,280)** | **(213,675)** |
| Other Comprehensive Income | – | – | – | 5 |
| **Attributable to:** | | | | |
| Equity owners of the Company | (88,337) | (138,087) | (107,919) | (201,160) |
| Non-controlling interests | (2,570) | (1,213) | (3,361) | (12,510) |
| | (90,907) | (139,300) | (111,280) | (213,670) |
| **Losses per share attributable to the equity owners of the Company** | | | | |
| – Basic and diluted loss per share (RMB) | (2.94) | (4.13) | (3.28) | (5.71) |

### Non-IFRS Measure

We use adjusted net loss (non-IFRS measure) in evaluating our operating results during the Track Record Period, which is not required by or presented in accordance with IFRS as an additional financial measure to supplement our consolidated financial statements, which are presented in accordance with IFRS. We believe that the non-IFRS measure provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of adjusted net loss (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under IFRS.

We define adjusted net loss (non-IFRS measure) as net loss for the year or period adjusted by adding back share-based payments and [**REDACTED**] expenses. The following table reconciles our adjusted net loss (non-IFRS measure) for the periods presented in accordance with IFRS, which is net loss for the periods:

| | Year ended December 31, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2022 | 2023 | 2023 | 2024 |
| | | | *(Unaudited)* | |
| | *(RMB in thousands)* | | | |
| **Loss for the year/period** | **(90,907)** | **(139,300)** | **(111,280)** | **(213,675)** |
| **Add:** | | | | |
| Share-based payments(1) | 23,617 | 48,610 | 34,805 | 70,316 |
| [**REDACTED**] expenses(2) | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| **Adjusted net loss (non-IFRS measure)** | **(67,290)** | **(90,690)** | **(76,475)** | **(132,766)** |

*Note:*

(1) Share-based payments represent the non-cash expenses in relation to our share award to certain senior management members and employees. See Note 32 of Appendix I to this document.

(2) [**REDACTED**] expenses represent expenses relating to this [**REDACTED**]. See "— [**REDACTED**] Expenses." Such expenses were typically one-off and non-recurring in nature.

### Revenue

During the Track Record Period, we generated revenue from (i) satellite-based solutions leveraging satellite remote sensing data and our Lingjing Engine; (ii) satellites and related services, including payload, platform and satellite R&D, assembly, testing, launch coordination, on-orbit delivery and operational management; and (iii) other services, primarily including intelligent parking solutions and software and hardware agency services.

Our total revenue increased significantly from RMB177.4 million in 2022 to RMB507.5 million in 2023, and increased significantly from RMB105.9 million in the nine months ended September 30, 2023 to RMB237.3 million in the nine months ended September 30, 2024. The following table sets forth a breakdown of our revenue by business line for the periods indicated:

| | Year ended December 31, | | | | Nine months ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2023 | | 2024 | |
| | *Amount* | *%* | *Amount* | *%* | *Amount* | *%* | *Amount* | *%* |
| | | | | | | *(Unaudited)* | | |
| | *(RMB in thousands)* | | | | | | | |
| Satellite-based solutions | 102,947 | 58.0 | 460,328 | 90.7 | 82,260 | 77.7 | 193,370 | 81.5 |
| Satellites and related services | 52,318 | 29.5 | 3,221 | 0.6 | 425 | 0.4 | 27,262 | 11.5 |
| Other services[1] | 22,156 | 12.5 | 43,992 | 8.7 | 23,236 | 21.9 | 16,647 | 7.0 |
| **Total** | **177,421** | **100.0** | **507,541** | **100.0** | **105,921** | **100.0** | **237,279** | **100.0** |

*Note:*

(1) Other services primarily include intelligent parking solutions and software and hardware agency services.

### *Satellite-based Solutions*

Our satellite-based solutions leverage satellite remote sensing data and advanced AI algorithms through the Lingjing Engine to deliver customized applications such as high-precision 3D digital modeling of real cities. These solutions address critical needs in industries such as space intelligence and computing services, digital city applications, urban governance and cultural, tourism, sports and gaming applications, empowering our customers to make informed decisions and drive sustainable growth. During the Track Record Period, a majority of our revenue was derived from satellite-based solutions, which was RMB102.9 million, RMB460.3 million, RMB82.3 million and RMB193.4 million in 2022, 2023 and the nine months ended September 30, 2023 and 2024, respectively, representing 58.0%, 90.7%, 77.7% and 81.5% of our total revenue in the same respective periods. For details of our satellite-based solutions, see "Business — Our Products and Solutions — Satellite-based Solutions."

***Satellites and Related Services***

We have extensive expertise in satellite R&D and production, offering end-to-end services that encompass payload, platform and satellite R&D, production, assembly and testing, launch coordination, on-orbit delivery and operational management. During the Track Record Period, our revenue derived from satellites and related services was RMB52.3 million, RMB3.2 million, RMB0.4 million and RMB27.3 million in 2022, 2023 and the nine months ended September 30, 2023 and 2024, respectively, representing 29.5%, 0.6%, 0.4% and 11.5% of our total revenue in the same respective periods. For details of our satellites and related services, see "Business — Our Products and Solutions — Satellites and Related Services."

Due to the nature of our satellites and related services, our business activities are inherently subject to various factors, including market competition, regulatory approvals and successful launch and operation, many of which are beyond our control. These factors can influence the timing and scale of revenue generation, requiring us to remain adaptable and responsive to changes in the industry. See "— Major Factors Affecting Our Results of Operations — Company-specific Factors — Our Ability to Manage Sales, Delivery and Acceptance Cycle for Our Satellites." Revenue from sales of satellites is recognized upon the transfer of control, typically at the completion of production and/or upon on-orbit delivery. Influenced by the satellite delivery cycles and launch schedules, revenue from our satellite sales orders in 2023 were recognized in 2023 and 2024 respectively.

***Other Services***

During the Track Record Period, we provided certain other services, primarily including intelligent parking solutions and software and hardware agency services. Our intelligent parking solutions encompass the provision of new energy intelligent charging terminals and supporting facilities, the development of information systems, network systems and management systems, as well as the resale of software and hardware. During the Track Record Period, our revenue derived from other services was RMB22.2 million, RMB44.0 million, RMB23.2 million and RMB16.6 million in 2022, 2023 and the nine months ended September 30, 2023 and 2024, respectively, representing 12.5%, 8.7%, 21.9% and 7.0% of our total revenue in the same respective periods.

## Cost of Sales

Our cost of sales primarily consists of (i) raw materials and purchased goods consumed for satellite-based solutions, such as software and hardware; (ii) satellite materials used for satellite production such as laser communication payloads and Hall thrusters; (iii) employee benefit expenses related to employees directly participating in production activities; and (iv) satellite launch costs paid to launch service providers.

The following table sets forth a breakdown of our cost of sales by nature for the periods indicated:

| | Year ended December 31, | | | | Nine months ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2023 | | 2024 | |
| | *Amount* | *%* | *Amount* | *%* | *Amount* | *%* | *Amount* | *%* |
| | | | | | *(Unaudited)* | | | |
| | *(RMB in thousands, except for percentages)* | | | | | | | |
| Raw materials and purchased goods consumed | 83,720 | 63.2 | 415,390 | 95.2 | 78,955 | 91.1 | 137,217 | 78.0 |
| Satellite materials | 21,484 | 16.2 | 2,290 | 0.5 | – | – | 13,442 | 7.6 |
| Employee benefit expenses | 14,667 | 11.1 | 11,522 | 2.6 | 2,417 | 2.8 | 8,973 | 5.1 |
| Satellite launch costs | 9,990 | 7.6 | – | – | – | – | 8,741 | 5.0 |
| Others[(1)] | 2,560 | 1.9 | 7,274 | 1.7 | 5,273 | 6.1 | 7,509 | 4.3 |
| **Total** | **132,422** | **100.0** | **436,476** | **100.0** | **86,645** | **100.0** | **175,883** | **100.0** |

*Note:*

(1) Others primarily include depreciation charges of property, plant and equipment.

The following table sets forth a breakdown of our cost of sales by business line for the periods indicated:

| | Year ended December 31, | | | | Nine months ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2023 | | 2024 | |
| | *Amount* | *%* | *Amount* | *%* | *Amount* | *%* | *Amount* | *%* |
| | | | | | *(Unaudited)* | | | |
| | *(RMB in thousands, except for percentages)* | | | | | | | |
| Satellite-based solutions | 84,266 | 63.6 | 403,432 | 92.4 | 67,502 | 77.9 | 132,630 | 75.4 |
| Satellites and related services | 35,485 | 26.8 | 6,671 | 1.5 | 3,373 | 3.9 | 29,244 | 16.6 |
| Other services[(1)] | 12,671 | 9.6 | 26,373 | 6.1 | 15,770 | 18.2 | 14,009 | 8.0 |
| **Total** | **132,422** | **100.0** | **436,476** | **100.0** | **86,645** | **100.0** | **175,883** | **100.0** |

*Note:*

(1) Other services primarily include intelligent parking solutions and software and hardware agency services.

### Gross Profit and Gross Profit Margin

Our gross profit was RMB45.0 million, RMB71.1 million, RMB19.3 million and RMB61.4 million in 2022, 2023 and the nine months ended September 30, 2023 and 2024, respectively. Our gross profit margin was 25.4%, 14.0%, 18.2% and 25.9% in 2022, 2023 and the nine months ended September 30, 2023 and 2024, respectively.

The following table sets forth a breakdown of our gross profit and gross profit margin by business line for the periods indicated:

| | **Year ended December 31,** | | | | **Nine months ended September 30,** | | | |
|---|---|---|---|---|---|---|---|---|
| | **2022** | | **2023** | | **2023** | | **2024** | |
| | *Gross profit* | *Gross profit margin* | *Gross profit/ (loss)* | *Gross profit/ (loss) margin* | *Gross profit* | *Gross profit margin* | *Gross profit/ (loss)* | *Gross profit/ (loss) margin* |
| | | | | | *(Unaudited)* | | | |
| | *(RMB in thousands, except for percentages)* | | | | | | | |
| Satellite-based solutions . . . | 18,681 | 18.1 | 56,896 | 12.4 | 14,758 | 17.9 | 60,740 | 31.4 |
| Satellites and related services . . . . . . . . . . . . | 16,833 | 32.2 | (3,450) | (107.1) | (2,948) | (693.6) | (1,982) | (7.3) |
| Other services[1] . . . . . . . . | 9,485 | 42.8 | 17,619 | 40.1 | 7,466 | 32.1 | 2,638 | 15.8 |
| **Total/Overall gross profit margin** . . . . . . . . . . . . | **44,999** | **25.4** | **71,065** | **14.0** | **19,276** | **18.2** | **61,396** | **25.9** |

*Note:*

(1) Other services primarily include intelligent parking solutions and software and hardware agency services.

### Selling and Marketing Expenses

Our selling and marketing expenses primarily consist of (i) employee benefit expenses, mainly representing salary, bonus and share-based payments to our sales and marketing employees; (ii) marketing expenses; and (iii) travelling and entertainment expenses relating to our business development activities.

The following table sets forth a breakdown of our selling and marketing expenses for the periods indicated:

| | Year ended December 31, | | | | Nine months ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2023 | | 2024 | |
| | *Amount* | *%* | *Amount* | *%* | *Amount* | *%* | *Amount* | *%* |
| | | | | | *(Unaudited)* | | | |
| | *(RMB in thousands, except for percentages)* | | | | | | | |
| Employee benefit expenses | 24,314 | 68.7 | 30,997 | 73.8 | 21,448 | 70.6 | 11,737 | 58.4 |
| Marketing expenses | 2,067 | 5.8 | 1,300 | 3.1 | 1,181 | 3.9 | 4,306 | 21.4 |
| Travelling and entertainment expenses | 5,911 | 16.7 | 6,077 | 14.5 | 4,365 | 14.4 | 2,559 | 12.7 |
| Depreciation charge | 2,115 | 6.0 | 1,230 | 2.9 | 1,191 | 3.9 | 268 | 1.4 |
| Others | 973 | 2.8 | 2,380 | 5.7 | 2,216 | 7.2 | 1,235 | 6.1 |
| **Total** | **35,380** | **100.0** | **41,984** | **100.0** | **30,401** | **100.0** | **20,105** | **100.0** |

## General and Administrative Expenses

Our general and administrative expenses primarily consist of (i) employee benefit expenses, mainly represented salary, bonus and share-based payments to our management personnel and administrative employees; and (ii) depreciation and amortization related to our office assets and headquarter building which was ready for use in 2024.

The following table sets forth a breakdown of our general and administrative expenses for the periods indicated:

| | Year ended December 31, | | | | Nine months ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2023 | | 2024 | |
| | *Amount* | *%* | *Amount* | *%* | *Amount* | *%* | *Amount* | *%* |
| | | | | | *(Unaudited)* | | | |
| | *(RMB in thousands, except for percentages)* | | | | | | | |
| Employee benefit expenses | 44,315 | 62.2 | 84,715 | 64.6 | 54,854 | 63.2 | 79,087 | 60.4 |
| Depreciation and amortization | 11,429 | 16.0 | 13,995 | 10.7 | 10,118 | 11.7 | 18,095 | 13.8 |
| Professional service fees | 2,468 | 3.5 | 4,244 | 3.2 | 3,686 | 4.2 | 13,596 | 10.4 |
| Lease, utilities and office expenses | 6,100 | 8.6 | 11,096 | 8.5 | 6,590 | 7.6 | 6,262 | 4.8 |
| Travelling and entertainment expenses | 3,482 | 4.9 | 11,029 | 8.4 | 8,302 | 9.6 | 5,918 | 4.5 |
| Others | 3,493 | 4.8 | 6,147 | 4.6 | 3,275 | 3.7 | 8,038 | 6.1 |
| **Total** | **71,287** | **100.0** | **131,226** | **100.0** | **86,824** | **100.0** | **130,996** | **100.0** |

### Research and Development Expenses

Our research and development expenses primarily consist of (i) employee benefit expenses, mainly representing salary, bonus and share-based payments to our R&D staff; and (ii) outsourced research and development expenses, primarily for engaging third parties to undertake R&D projects related to (a) application scenarios of our satellite-based solutions, and (b) AI computing modules for the development of our AI computing satellites.

The following table sets forth a breakdown of our research and development expenses for the periods indicated:

| | Year ended December 31, | | | | Nine months ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2023 | | 2024 | |
| | *Amount* | *%* | *Amount* | *%* | *Amount* | *%* | *Amount* | *%* |
| | | | | | *(Unaudited)* | | | |
| | *(RMB in thousands, except for percentages)* | | | | | | | |
| Employee benefit expenses | 30,049 | 65.6 | 31,416 | 58.7 | 22,444 | 72.8 | 54,697 | 52.2 |
| Outsourced research and development expenses | 8,097 | 17.7 | 15,728 | 29.4 | 3,849 | 12.5 | 46,887 | 44.7 |
| Raw materials and purchased goods consumed | 6,526 | 14.2 | 5,313 | 9.9 | 2,580 | 8.4 | 1,470 | 1.4 |
| Others | 1,148 | 2.5 | 1,021 | 2.0 | 1,952 | 6.3 | 1,798 | 1.7 |
| **Total** | **45,820** | **100.0** | **53,478** | **100.0** | **30,825** | **100.0** | **104,852** | **100.0** |

### Net Impairment Losses on Financial Assets

Our net impairment losses on financial assets primarily represent provision for trade receivables, other receivables and contract assets. See "— Discussion of Selected Items from the Consolidated Statements of Financial Position — Trade Receivables" and "— Discussion of Selected Items from the Consolidated Statements of Financial Position — Other Receivables." We recorded net impairment losses on financial assets of RMB6.8 million, RMB20.8 million, RMB6.3 million and RMB3.7 million in 2022, 2023 and the nine months ended September 30, 2023 and 2024, respectively.

### Other Income

Our other income primarily represents government grants awarded by the local government in recognition of our contribution to local economy through technology innovation and our tax contribution.

The following table sets forth a breakdown of our other income for the periods indicated:

| | Year ended December 31, | | | | Nine months ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2022 | | 2023 | | 2023 | | 2024 | |
| | *Amount* | *%* | *Amount* | *%* | *Amount* | *%* | *Amount* | *%* |
| | | | | | *(Unaudited)* | | | |
| | *(RMB in thousands, except for percentages)* | | | | | | | |
| Government grants | 13,097 | 92.3 | 25,503 | 94.4 | 15,455 | 95.8 | 2,770 | 100.0 |
| Additional deduction of input VAT | 1,092 | 7.7 | 1,522 | 5.6 | 677 | 4.2 | – | – |
| **Total** | **14,189** | **100.0** | **27,025** | **100.0** | **16,132** | **100.0** | **2,770** | **100.0** |

## Other Gains/(Losses) – Net

Our net other gains or losses primarily arise from (i) investment income from structured deposits; (ii) net fair value gains of structured deposits; and (iii) gains or losses on disposal of property, plant and equipment.

The following table sets forth a breakdown of our net other gains or losses for the periods indicated:

| | Year ended December 31, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2022 | 2023 | 2023 | 2024 |
| | | | *(Unaudited)* | |
| | *(RMB in thousands)* | | | |
| Investment income from financial assets at FVPL | 7,653 | 11,203 | 7,068 | 938 |
| Net fair value gains of financial assets at FVPL | 2,174 | 1,370 | 2,412 | – |
| (Losses)/gains on disposal of property, plant and equipment | (72) | 98 | 98 | (16,476) |
| Gains on early termination of right-of-use assets | 23 | 26 | 26 | – |
| Others | (130) | (297) | (239) | (478) |
| **Total** | **9,648** | **12,400** | **9,365** | **(16,016)** |

### Finance Costs — Net

Our finance income represents interest income derived from bank deposits, and our finance costs represent interest expenses on bank borrowings and lease liabilities.

The following table sets forth a breakdown of our finance income and costs for the periods indicated:

| | Year ended December 31, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | **2022** | **2023** | **2023** | **2024** |
| | | | *(Unaudited)* | |
| | *(RMB in thousands)* | | | |
| **Finance income:** | | | | |
| – Interest income derived from bank deposits | 361 | 733 | 440 | 788 |
| **Finance costs:** | | | | |
| – Interest expense on bank borrowings | (570) | (2,003) | (1,500) | (1,840) |
| – Interest expense on lease liabilities | (206) | (238) | (156) | (342) |
| **Net finance costs** | **(415)** | **(1,508)** | **(1,216)** | **(1,394)** |

### Share of Loss of Investments Accounted for Using Equity Method

Our share of loss of investments accounted for using equity method relate to our investments in associates and joint ventures, including Tai'an Taiyue Guoxing Intelligent Technology Co. LTD, Yueyang Guoxing Smart Technology Co. LTD, Qingdao Guoxing Hainuo Smart Technology Co. LTD, Tai'an Guoxing Dongyue Smart Technology Co. Ltd, and Zhongxin Shuzi Technology (Chengdu) Co. LTD. See Note 19 of Appendix I to this document.

### Income Tax

We had income tax expenses of RMB6.0 thousand, RMB126.0 thousand, RMB2.0 thousand and RMB1.0 thousand in 2022, 2023 and the nine months ended September 30, 2023 and 2024, respectively.

Corporate income tax was provided for the taxable income of the entities within our Group. During the Track Record Period, the general corporate income tax rate in the PRC is 25%, the general corporate income tax rate in Hong Kong is 16.5%. In 2022, 2023 and nine months ended September 30, 2023 and 2024, our Company and certain subsidiaries of the Group in the PRC were qualified as "High and New Technology Enterprises" under the relevant PRC laws and regulations, which were subject to a preferential income tax rate of 15%, and certain subsidiaries of the Group in the PRC were qualified as "small low-profit enterprises" under the Enterprise Income Tax Law of the PRC, which enjoyed a preferential income tax rate of 20%. See Note 12 of Appendix I to this document.

During the Track Record Period and up to the Latest Practicable Date, we have made all the required tax filings with the relevant tax authorities in the PRC, and we were not aware of any outstanding or potential disputes with such tax authorities.

## PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

### Nine Months Ended September 30, 2024 Compared with Nine Months Ended September 30, 2023

#### *Revenue*

Our revenue increased significantly from RMB105.9 million in the nine months ended September 30, 2023 to RMB237.3 million in the nine months ended September 30, 2024, primarily due to the increase in revenue from both (i) satellite-based solutions and (ii) satellites and related services, partially offset by the decrease in revenue from other services.

Our revenue from satellite-based solutions increased significantly from RMB82.3 million in the nine months ended September 30, 2023 to RMB193.4 million in the nine months ended September 30, 2024. The increase is primarily attributable to the more sophisticated solutions provided for an increasingly diversified application scenarios such as the space intelligence and computing services, driven by our accumulation of satellite remote sensing data and improved algorithms, computing power and automated spatial dimension enhancement for remote sensing data.

Our revenue from satellites and related services increased from RMB0.4 million in the nine months ended September 30, 2023 to RMB27.3 million in the nine months ended September 30, 2024, primarily attributable to the full or partial revenue recognition for the three satellites launched in 2024, namely XSD-15, XSD-19 and XSD-20. The increase in such satellite sales reflects the recognition by our customers of our technological advancement and capabilities, particularly in the area of AI computing satellites. See "Business — Our Products and Solutions — Satellites and Related Services — AI Computing Satellites."

Our revenue from other services decreased by 28.4% from RMB23.2 million in the nine months ended September 30, 2023 to RMB16.6 million in the nine months ended September 30, 2024, primarily attributable to our strategic optimization of business operations, with an increased focus on our core activities related to satellites and related services and satellite-based solutions.

### *Cost of Sales*

Our cost of sales increased significantly from RMB86.7 million in the nine months ended September 30, 2023 to RMB175.9 million in the nine months ended September 30, 2024, primarily due to (i) an increase in raw material and purchased goods consumed for satellite-based solutions, in line with the growth of our corresponding business; and (ii) an increase in satellite materials used in satellite production, in line with the increased revenue derived from sales of our satellites in 2024.

### *Gross Profit and Gross Profit Margin*

Our gross profit increased significantly from RMB19.3 million in the nine months ended September 30, 2023 to RMB61.4 million in the nine months ended September 30, 2024. Our gross profit margin increased from 18.2% in the nine months ended September 30, 2023 to 25.9% in the nine months ended September 30, 2024, primarily attributable to the increased gross profit margin of our satellite-based solutions, which represented a larger proportion of our overall margin profile.

Our gross profit margin for satellite-based solutions increased from 17.9% in the nine months ended September 30, 2023 to 31.4% in the nine months ended September 30, 2024, mainly attributable to higher project value of our satellite-based solutions for certain application scenarios, such as the space intelligence and computing services, which had a higher gross profit margin.

Our gross loss margin for satellites and related services improved from 693.6% in the nine months ended September 30, 2023 to 7.3% in the nine months ended September 30, 2024. The gross loss margin for satellites and related services in the nine months ended September 30, 2023 was mainly due to the provision for potential loss arising from the sales of one satellite resulting from the relatively high cost of sales for the relevant satellite comparing to its contract value. In order to attract customers and expand our market presence in our early stage of development, we primarily focused on promoting technology, expanding customer base and cultivating stronger customer relationships to sustain long-term growth. During this stage, our efforts are geared towards laying a solid foundation for sustainable development, rather than prioritizing short-term profitability. See "Business — Sustainability."

Our gross profit margin for other services decreased from 32.1% in the nine months ended September 30, 2023 to 15.8% in the nine months ended September 30, 2024, primarily due to the relatively low project value of our new energy intelligent charging business resulting from an increasingly competitve market.

***Selling and Marketing Expenses***

Our selling and marketing expenses decreased by 33.9% from RMB30.4 million in the nine months ended September 30, 2023 to RMB20.1 million in the nine months ended September 30, 2024, primarily due to a decrease in employee benefit expenses resulting from the reduced headcount of our sales and marketing employees to focus on core activities. Such decrease was partially offset by an increase in the marketing expenses related to the promotion of our satellite-based solutions and the launch hosting event for the three satellites launched in September 2024. See "Business — Our Products and Solutions — Satellites and Related Services."

***General and Administrative Expenses***

Our general and administrative expenses increased by 50.9% from RMB86.8 million in the nine months ended September 30, 2023 to RMB131.0 million in the nine months ended September 30, 2024, primarily attributable to (i) an increase in employee benefit expenses due to share-based payments included in general and administrative expenses; and (ii) an increase in depreciation and amortization, primarily related to our headquarter building which was ready for use in 2024.

***Research and Development Expenses***

Our research and development expenses increased significantly from RMB30.8 million in the nine months ended September 30, 2023 to RMB104.9 million in the nine months ended September 30, 2024, primarily due to (i) an increase in outsourced research and development expenses, primarily for engaging third parties to undertake R&D projects related to AI computing modules for the development of our AI computing satellites; and (ii) an increase in employee benefit expenses, primarily attributable to share-based payments to our R&D employees.

***Net Impairment Losses on Financial Assets***

Our net impairment losses on financial assets decreased by 41.3% from RMB6.3 million in the nine months ended September 30, 2023 to RMB3.7 million in the nine months ended September 30, 2024, primarily due to our strengthened efforts in managing and recovering trade receivables. See "— Discussion of Selected Items from the Consolidated Statements of Financial Position — Trade Receivables."

***Other Income***

Our other income decreased by 82.6% from RMB16.1 million in the nine months ended September 30, 2023 to RMB2.8 million in the nine months ended September 30, 2024, primarily due to a decrease in our government grants. See Note 9 and 34 of Appendix I to this Document.

*Other Gains/(Losses) – Net*

We recorded net other gains of RMB9.4 million in the nine months ended September 30, 2023, while we recorded net other losses of RMB16.0 million in the nine months ended September 30, 2024, primarily arising from losses on disposal of property, plant and equipment due to (i) the de-orbiting of a satellite in 2024 and (ii) the termination of construction of a property in construction in progress adapting to our business needs. See "Risk Factors — Risks Relating to Our Business and Industry — Any failure of our satellites to operate as intended may impact our ability to provide satellite-based solutions."

*Net Finance Costs*

Our net finance costs increased by 16.7% from RMB1.2 million in the nine months ended September 30, 2023 to RMB1.4 million in the nine months ended September 30, 2024, primarily due to an increase in interest expenses on bank borrowings resulting from the increased balance of our bank borrowings.

*Share of Loss of Investments Accounted for Using the Equity Method*

Our share of loss of investments accounted for using the equity method increased by 60.0% from RMB0.5 million in the nine months ended September 30, 2023 to RMB0.8 million in the nine months ended September 30, 2024, primarily arising from our investments in our associates and joint ventures. See Note 19 of Appendix I to this Document.

*Income Tax Expenses*

Our income tax expenses decreased by 50.0% from RMB2.0 thousand in the nine months ended September 30, 2023 to RMB1.0 thousand in the nine months ended September 30, 2024.

*Loss for the Period*

As a result of the foregoing, our loss for the period increased from RMB111.3 million in the nine months ended September 30, 2023 to RMB213.7 million in the nine months ended September 30, 2024. See "Business — Sustainability — Analysis on Historical Losses."

**Year ended December 31, 2023 Compared with Year Ended December 31, 2022**

*Revenue*

Our revenue increased significantly from RMB177.4 million in 2022 to RMB507.5 million in 2023, primarily due to an increase in revenue from both (i) satellite-based solutions and (ii) other services, partially offset by a decrease in revenue from satellites and related services.

Our revenue from satellite-based solutions increased significantly from RMB102.9 million in 2022 to RMB460.3 million in 2023, primarily attributable to our enhanced customer acquisition and securing higher-value contracts, including solutions for space intelligence and computing service and applications of urban integrated governance service. The growth was primarily driven by the official launch of the Lingjing Engine in November 2022 and our intensified sales and marketing efforts.

Our revenue from satellites and related services decreased by 93.9% from RMB52.3 million in 2022 to RMB3.2 million in 2023, primarily due to the satellite delivery cycle and rocket launch schedules. See "— Major Factors Affecting Our Results of Operations — Our Ability to Manage Sales, Delivery and Acceptance Cycle for Our Satellites."

Our revenue from other services increased by 98.2% from RMB22.2 million in 2022 to RMB44.0 million in 2023, primarily due to the increase of our overall business scale, as well as our continued efforts to complete performance for contracts entered in 2022 for our intelligent parking solutions and software and hardware agency services. Revenue from other services as a percentage of our total revenue decreased as we intensified our focus on our core activities related to satellites and related service and satellite-based solutions.

***Cost of Sales***

Our cost of sales increased significantly from RMB132.4 million in 2022 to RMB436.5 million in 2023, primarily due to an increase in raw materials and purchased goods consumed for satellite-based solutions, which was resulted from the growth of our satellite-based solution business. The increase was partially offset by the decrease in satellite materials and satellite launch costs, resulting from our satellite sales and delivery cycle.

***Gross Profit and Gross Profit Margin***

Our gross profit increased by 58.0% from RMB45.0 million in 2022 to RMB71.1 million in 2023, primarily due to the growth in our satellite-based solution business. Our gross profit margin decreased from 25.4% in 2022 to 14.0% in 2023, primarily attributable to the decreased gross margin of both (i) satellite-based solutions and (ii) satellites and related services.

Our gross profit margin for satellite-based solutions decreased from 18.1% in 2022 to 12.4% in 2023, primarily because we secured certain customer orders with high project costs under the then-prevailing market environment to empower our customer acquisition and market expansion rather than prioritizing short-term profitability.

We recorded gross loss margin of 107.1% in 2023 compared to gross profit margin of 32.2% in 2022 for satellites and related services, primarily because (i) the pricing of certain satellites was relatively low in order to attract customers and expand our market presence; and (ii) we focused on promoting technology, expanding customer base and cultivating stronger customer relationships in the early stage of developing our satellites and related service business to sustain long-term growth. See "Business — Sustainability — Analysis on Historical Losses."

Our gross profit margin for other services remained relatively stable at 42.8% in 2022 and 40.1% in 2023.

***Selling and Marketing Expenses***

Our selling and marketing expenses increased by 18.6% from RMB35.4 million in 2022 to RMB42.0 million in 2023, primarily due to an increase in employee benefit expenses as a result of the increasing headcount of, and pay raise for our selling and marketing employees.

***General and Administrative Expenses***

Our general and administrative expenses increased by 84.0% from RMB71.3 million in 2022 to RMB131.2 million in 2023, primarily attributable to (i) an increase employee benefit expenses due to the increased headcount of our administrative employees and share-based payments incurred in 2023; and (ii) an increase in travelling and entertainment expenses related to our financing activities.

***Research and Development Expenses***

Our research and development expenses increased by 16.8% from RMB45.8 million in 2022 to RMB53.5 million in 2023, primarily due to an increase in outsourced research and development expenses as we intensified R&D investment in expanding application scenarios of our satellite-based solutions.

***Net Impairment Losses on Financial Assets***

Our net impairment losses on financial assets increased significantly from RMB6.8 million in 2022 to RMB20.8 million in 2023, primarily due to an increase in the provision for trade receivables and contract assets resulting from the increased balance of our trade receivables, which was resulted from our business growth in 2023. See "— Discussion of Selected Items from the Consolidated Statements of Financial Position — Trade Receivables."

***Other Income***

Our other income increased by 90.1% from RMB14.2 million in 2022 to RMB27.0 million in 2023, primarily due to an increase in government grants received.

***Other Gains – Net***

Our net other gains increased by 29.2% from RMB9.6 million in 2022 to RMB12.4 million in 2023, primarily due to an increase in investment gains of financial assets at FVPL arising from our structured deposits.

***Net Finance Costs***

Our net finance costs increased from RMB0.4 million in 2022 to RMB1.5 million in 2023, primarily due to an increase in interest expense arising from our increased borrowings. See "— Indebtedness — Borrowings."

### *Share of Loss of Investments Accounted for Using the Equity Method*

We had share of loss of investments accounted for using the equity method of nil in 2022 and RMB0.7 million in 2023, primarily arising from our investments in our associates and joint ventures. See Note 19 of Appendix I to this Document.

### *Income Tax Expenses*

Our income tax expenses increased from RMB6 thousand in 2022 to RMB126.0 thousand in 2023 primarily attributable to income tax expenses incurred by our certain subsidiaries.

### *Loss for the Year*

As a result of the foregoing, our loss for the period increased by 53.2% from RMB90.9 million in 2022 to RMB139.3 million in 2023. See "Business — Sustainability — Analysis on Historical Losses."

## DISCUSSION OF SELECTED ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth selected information from our consolidated statements of financial position as of the dates indicated:

| | As of December 31, | | As of September 30, |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | | | *(Unaudited)* |
| | | *(RMB in thousands)* | |
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 31,595 | 375,671 | 360,726 |
| Right-of-use assets | 7,102 | 10,603 | 26,580 |
| Investment properties | – | – | 45,440 |
| Intangible assets | 6,188 | 11,573 | 9,448 |
| Investments accounted for using equity method | – | 3,530 | 10,930 |
| Other receivables | 585 | 216 | 146 |
| Contract assets | – | 4,549 | 4,530 |
| Financial assets at fair value through other comprehensive income ("FVOCI") | 3,600 | 3,600 | 3,600 |
| Prepayment | – | 8,809 | 28,495 |
| **Total non-current assets** | **49,070** | **418,551** | **489,895** |

| | As of December 31, | | As of September 30, |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | | | *(Unaudited)* |
| | | *(RMB in thousands)* | |
| **Current assets** | | | |
| Inventories | 11,508 | 42,024 | 98,198 |
| Trade receivables | 128,749 | 500,860 | 500,188 |
| Other receivables | 24,815 | 114,050 | 87,821 |
| Contract asset | 1,053 | 1,502 | 1,230 |
| Income tax recoverable | 270 | 524 | 3,563 |
| Prepayments and other current assets | 39,736 | 43,750 | 51,231 |
| Financial assets at fair value through profit or loss ("FVPL") | 262,174 | 191,370 | – |
| Restricted cash | – | 20,051 | 29,418 |
| Cash and cash equivalents | 38,025 | 124,591 | 110,760 |
| **Total current assets** | **506,330** | **1,038,722** | **882,409** |
| **Total assets** | **555,400** | **1,457,273** | **1,372,304** |
| **Equity** | | | |
| Share capital | 30,963 | 35,160 | 35,218 |
| Other reserves | 648,520 | 1,184,690 | 1,264,757 |
| Accumulated losses | (257,084) | (395,171) | (596,336) |
| **Equity attributable to equity owners of the Company** | **422,399** | **824,679** | **703,639** |
| Non-controlling interests | 861 | (137) | (11,808) |
| **Total equity** | **423,260** | **824,542** | **691,831** |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Lease liabilities | 1,553 | 4,841 | 7,685 |
| Borrowings | 9,960 | 9,940 | – |
| Deferred government grants | 592 | 2,993 | 2,716 |
| Contract Liabilities | 1,085 | 519 | 542 |
| **Total non-current liabilities** | **13,190** | **18,293** | **10,943** |
| **Current liabilities** | | | |
| Trade and other payables | 76,492 | 502,464 | 518,779 |
| Income tax payables | 6 | 124 | 1 |
| Contract liabilities | 3,533 | 43,183 | 46,743 |
| Borrowings | 35,900 | 65,020 | 99,950 |
| Lease liabilities | 3,019 | 3,647 | 4,057 |
| **Total current liabilities** | **118,950** | **614,438** | **669,530** |
| **Total liabilities** | **132,140** | **632,731** | **680,473** |
| **Total equity and liabilities** | **555,400** | **1,457,273** | **1,372,304** |

### Property, Plant and Equipment

Our property, plant and equipment primarily consist of (i) buildings; (ii) construction in progress, mainly relating to our headquarter building; and (iii) self-owned satellites.

The following table sets forth a breakdown of our property, plant and equipment as of the dates indicated:

| | As of December 31, | | As of September 30, |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | | | *(Unaudited)* |
| | | *(RMB in thousands)* | |
| Buildings | – | 1,184 | 315,342 |
| Production equipment | 2,362 | 1,817 | 18,116 |
| Construction in progress | 11,886 | 339,451 | 10,347 |
| Office and electronic equipment | 3,254 | 6,645 | 7,663 |
| Leasehold improvements | 13,296 | 7,532 | 5,301 |
| Motor vehicles | 797 | 5,142 | 3,957 |
| Self-owned satellites | – | 13,900 | – |
| **Total** | **31,595** | **375,671** | **360,726** |

Our property, plant and equipment increased significantly from RMB31.6 million as of December 31, 2022 to RMB375.7 million as of December 31, 2023, primarily attributable to an increase in construction in progress in relation to our headquarter building. In December 2023, we entered in the purchase agreement to acquire our Chengdu headquarter building, which was under renovation in 2023 and ready for use in 2024.

Our property, plant and equipment remained relatively stable at RMB375.7 million as of December 31, 2023 and RMB360.7 million as of September 30, 2024, primarily attributable to an increase in buildings as the headquarter building was ready for use in 2024, partially offset by (i) a decrease in construction in progress as our headquarter building completed renovation and was ready for use; and (ii) decrease in our self-owned satellites due to the de-orbiting of a satellite.

## Right-of-use Assets

Our right-of-use assets relate to (i) land use rights for our owned properties; and (ii) leased property. The following table sets forth a breakdown of our right-of-use assets as of the dates indicated:

| | As of December 31, | | As of September 30, |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | | | *(Unaudited)* |
| | | *(RMB in thousands)* | |
| Land use rights | 2,491 | 2,360 | 16,521 |
| Leased property | 4,611 | 8,243 | 10,059 |
| **Total** | **7,102** | **10,603** | **26,580** |

Our right-of-use assets increased by 49.3% from RMB7.1 million as of December 31, 2022 to RMB10.6 million as of December 31, 2023, primarily attributable to an increase in leased property due to the increased leases for our offices and the lease for Jiaxing satellite testing base.

Our right-of-use assets increased significantly from RMB10.6 million as of December 31, 2023 to RMB26.6 million as of September 30, 2024, primarily due to an increase in land use rights related to the land parcel we acquired in Shenzhen for construction of new production facilities. See "Business — Integrated Satellite R&D and Production Model — Satellite R&D and Production Facilities."

## Investment Properties

Our investment property increased from nil as of December 31, 2022 and 2023 to RMB45.4 million as of September 30, 2024, primarily due to the properties we leased to third parties for office use.

## Inventories

Our inventories consist of (i) work in progress, primarily representing satellites under production, and hardware and software for satellite-based solutions; and (ii) finished goods, primarily comprising satellites not yet delivered, and satellite-themed cultural products. The following table sets forth a breakdown of our inventories as of the dates indicated:

| | As of December 31, | | As of September 30, |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | | | *(Unaudited)* |
| | | *(RMB in thousands)* | |
| Work in progress | 10,970 | 18,881 | 54,166 |
| Finished goods | 538 | 23,143 | 44,032 |
| **Total** | **11,508** | **42,024** | **98,198** |

Our inventories increased significantly from RMB11.5 million as of December 31, 2022 to RMB42.0 million as of December 31, 2023, primarily attributable to (i) an increase in finished goods as a result of our increased customer orders; and (ii) an increase in work in progress arising from satellites under production.

Our inventories increased significantly from RMB42.0 million as of December 31, 2023 to RMB98.2 million as of September 30, 2024, primarily due to an increase in work in progress and finished goods as a result of the increase in our customer orders.

The following table sets forth an aging analysis of our inventories as of the dates indicated:

| | As of December 31, | | As of September 30, |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | | | *(Unaudited)* |
| | | *(RMB in thousands)* | |
| Within one year | 10,325 | 38,963 | 92,828 |
| Over one year | 1,183 | 3,061 | 5,370 |
| **Total** | **11,508** | **42,024** | **98,198** |

The following table sets forth the turnover days of our inventories for the periods indicated:

| | Year ended December 31, | | Nine months ended September 30, |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | | *(days)* | |
| Inventory turnover days[1] | 65.3 | 22.1 | 107.6 |

*Note:*

(1) Inventory turnover days for a year/period equal the average of the gross value of the opening and closing inventory balance divided by cost of sales for the relevant year/period and multiplied by the number of days in the relevant year/period, which is 360 days for each year and 270 days for nine months.

Our inventory turnover days decreased from 65.3 days in 2022 to 22.1 days in 2023, primarily due to the relatively short delivery cycle of our satellite-based solutions. Our inventory turnover days then increased from 22.1 days in 2023 to 107.6 days in the nine months ended September 30, 2024, primarily due to the relatively long delivery cycle of our satellites. Our inventory turnover days are influenced by sales and delivery cycle of satellites unique to our industry, as our procurement process is intricately tied to our sales orders. See "— Major Factors Affecting our Results of Operations — Company-Specific Factors — Our Ability to Manage Sales, Delivery and Acceptance Cycle for Our Satellites."

As of the Latest Practicable Date, approximately RMB52.3 million, or 53.2% of our inventories as of September 30, 2024 had been subsequently utilized or sold.

## Trade Receivables

Our trade receivables primarily represent outstanding receivables from our customers. The following table sets forth a breakdown of our trade receivables, net of provision for loss allowance of receivables, as of the dates indicated:

| | As of December 31, | | As of September 30, |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | | | *(Unaudited)* |
| | | *(RMB in thousands)* | |
| Note receivables | 5,000 | – | – |
| Trade receivables due from third parties | 111,964 | 498,618 | 501,927 |
| Trade receivables due from related parties | 18,265 | 25,381 | 26,257 |
| | 135,229 | 523,999 | 528,184 |
| Less: provision for loss allowance of receivables | (6,480) | (23,139) | (27,996) |
| **Trade receivables – net** | **128,749** | **500,860** | **500,188** |

Our trade receivables increased significantly from RMB128.7 million as of December 31, 2022 to RMB500.9 million as of December 31, 2023, primarily attributable to an increase in trade receivables due from third parties due to our increased customer orders around year-end. Our trade receivables remained relatively stable at RMB500.9 million as of December 31, 2023 and RMB500.2 million as of September 30, 2024.

We decide credit terms with our customers on a project-by-project basis. We generally grant our customers credit periods of one to 12 months following the fulfillment of payment conditions. The following table sets forth an aging analysis of our trade receivables based on the transaction date as of the dates indicated:

| | As of December 31, | | As of September 30, |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | | | *(Unaudited)* |
| | *(RMB in thousands)* | | |
| Within six months | 103,936 | 396,703 | 159,688 |
| From seven to 12 months | 11,491 | 67,839 | 277,781 |
| Over one year | 14,802 | 59,457 | 90,715 |
| Less: provision for loss allowance of trade receivables | (6,480) | (23,139) | (27,996) |
| **Trade receivables – net** | **123,749** | **500,860** | **500,188** |

During the Track Record Period, 88.6%, 88.7% and 82.8% of our trade receivables as of December 31, 2022, 2023 and September 30, 2024, respectively, were aged within one year. Our trade receivables aged over one year increased from RMB14.8 million as of December 31, 2022 to RMB59.5 million as of December 31, 2023 and then increased to RMB90.7 million as of September 30, 2024, primarily due to the relatively long payment cycle of some customers resulting from their relatively complicated payment process and payment approval procedures. For certain new customers, we grant shorter credit terms and require prepayment.

The following table sets forth the breakdown of trade receivables by project with trade receivable balance over RMB20.0 million as of September 30, 2024:

| | Background of projects | As of September 30, 2024 | Actions taken |
|---|---|---|---|
| | | *(RMB in thousands)* | |
| Project A | We provided satellite-based solutions for a limited liability company located in Sichuan, China, primarily engaging in R&D and promotion of technologies. | 128,773 | We have been pursuing payment collection through communication. |

| | Background of projects | As of September 30, 2024 | Actions taken |
|---|---|---|---|
| | | *(RMB in thousands)* | |
| Project B | We provided satellite-based solutions for a public company located in Beijing, China and listed on the Shenzhen Stock Exchange, primarily engaging in digital cultural creativity, content production and technical services. | 71,392 | We have been pursuing payment collection through communication. |
| Project C | We provided satellite-based solutions for a state-owned company located in Sichuan, China, primarily engaging in the survey and design of construction engineering. | 67,657 | We have been pursuing payment collection through communication. |
| Project D | We provided satellite-based solutions for a state-owned company located in Sichuan, China, primarily engaging in gas production and supply. | 36,741 | We have been pursuing payment collection through communication. |
| Project E | We provided intelligent parking solutions for Beijing Space-park. | 24,248 | Collection time frame have been devised after communications. |
| Project F | We provided satellite-based solutions for a limited liability company located in Hubei, China, primarily engaging in providing smart city solutions through big data, AI large model, space information, digital twin technologies and cloud computing. | 23,897 | Collection time frame have been devised after communications. |

| | Background of projects | As of September 30, 2024 | Actions taken |
|---|---|---|---|
| | | *(RMB in thousands)* | |
| Project G . . . . . . | We provided satellite-based solutions for a project led by a state-owned company, primarily engaging in internet services, cultural communications, and digital content services. | 20,601 | Collection letter has been issued. |
| **Total** . . . . . . . . . . | **N/A** | **373,308** | **N/A** |

The following table sets forth the turnover days of our trade receivables for the periods indicated:

| | Year ended December 31, | | Nine months ended September 30, |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | | *(days)* | |
| Trade receivables turnover days[(1)] . . . . . | 173.1 | 233.8 | 598.6 |

*Note:*

(1) Trade receivables turnover days for a year/period equal the average of opening and closing balance of trade receivables for the relevant year/period divided by revenue for the relevant year/period and multiplied by the number of days in the relevant year/period, which is 360 days for each year and 270 days for nine months.

Our trade receivables turnover days increased from 173.1 days in 2022 to 233.8 days in 2023 and 598.6 days in the nine months ended September 30, 2024. We had relatively long and increasing trade receivables turnover days during the Track Record Period, and our trade receivables aged over one year and our trade receivables overdue increased throughout the Track Record Period. This is primarily attributable to the extended payment cycles of our state-owned enterprise ("SOE") customers and projects led by SOEs affected by their internal fiscal arrangements and payment approval processes.

According to Frost & Sullivan, our credit period and trade receivables turnover days are generally in line with industry norms. To manage risks associated with trade receivables, we maintain frequent communications with our customers to ensure effective credit control. We grant longer credit terms to customers with good historical credits standing and stable relationship with us. We believe that the credit risk in trade receivable balances due from such customers is low.

For trade receivables, we apply the simplified approach permitted by IFRS 9, which requires expected lifetime loss to be recognized from initial recognition of the receivables. The provision matrix is determined based on historical observed default rates over the expected life of the trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates.

As at December 31, 2022 and 2023 and September 30, 2024, we provided loss allowances for trade receivables of approximately RMB6.5 million, RMB23.1 million and RMB28.0 million based on collective assessment, and impairment allowances of RMB3.3 million, RMB2.5 million and RMB2.1 million were assessed individually on trade receivables with gross carrying amounts of RMB6.5 million, RMB4.6 million and RMB2.1 million, respectively. We believe sufficient allowance for credit losses has been provided for our trade receivables. For details of the basis as to how expected credit loss is derived, see Note 3.1(b)(ii) of Appendix I to this Document.

Approximately RMB92.0 million, or 17.4% of our trade receivables as of September 30, 2024 had been settled as of the Latest Practicable Date. We have assessed the recoverability of our relevant outstanding trade receivables. Our Directors are of the view that there is no recoverability issue for our trade receivables and we have made adequate provisions for the expected credit loss of our trade receivables during the Track Record Period on the following basis: (i) our customers have had a sound credit history; (ii) we did not record any write-off historically; and (iii) we have maintained good relationships with our customers. We maintain active communication with our customers and constantly monitor and evaluate the conditions of trade receivables to ensure timely measures are taken to address collection issues, including the following:

- We follow up on customer payments with monthly targets. Depending on the amount and overdue days, we coordinate multiple departments, including the sales team, finance department and our senior management, to devise trade receivable collection plans analyzing issues involved and efforts needed, as well as specifying time frames and responsible employees.

- Our senior management including chief executive officer and chief financial officer regularly review overdue payments and lead the aforementioned trade receivables collection plans to ensure timely measures are taken to address collection issues. For customers from which we have a relatively large amount of trade receivables, our senior management actively engages in the communication with the senior management of such customers to ensure the collection of trade receivables.

- We assess the condition of the trade receivables by examining factors including the payment history of the respective customers and our business relationships with them. We seek to maintain strict control over our outstanding receivables, and our finance department is responsible for minimizing credit risk. For customers that have good track record of credit, maintain robust business relations with us and engage in ongoing communication with us about their trade receivable payments, our sales team continue pursuing payment collection through active communication. If we identify indications of payment collection difficulties or if the outstanding trade receivables from certain customers remain unpaid for a prolonged period of time, we issue collection letters or lawyer's letter and negotiate payment plans with them when necessary.

- For customers who are not responsive to our demand letters or lawyer's letters or who fail to pay outstanding trade receivables after a prolonged period following our issuance of demand letters or lawyer's letters, we may initiate litigation.

As of the date of this Document, our collection efforts have covered 75.0% of trade receivables balances as of September 30, 2024. The following table sets forth the details of our follow-up actions and progress in our trade receivables collection as of the dates indicated:

| | **As of the date of this Document** | **Percentage to trade receivables as of September 30, 2024** |
|---|---|---|
| | *(RMB in thousands)* | *(%)* |
| Amount of trade receivables covered by demand letters, lawyer's letters, or litigation | 396,175 | 75.0 |
| Amount of trade receivables collected, pledged by customers to settle, or collectible by judgement | 137,390 | 26.0 |

**Other Receivables**

Our other receivables primarily consist of (i) advances paid on behalf of our customers as an agency for procurement from designated suppliers for our software and hardware agency services; and (ii) deposits, mainly representing performance security deposits in relation to our business and deposits for property purchases.

The following table sets forth a breakdown of our other receivables as of the dates indicated:

| | As at 31 December | | As at 30 September |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | | | *(Unaudited)* |
| | | *(RMB in thousands)* | |
| **Non-current** | | | |
| Deposits | 585 | 216 | 146 |
| **Current** | | | |
| Other receivables due from related parties | 33 | 152 | 536 |
| Advances on behalf of customers as an agency | 18,910 | 73,208 | 57,002 |
| Deposits | 3,594 | 39,879 | 32,641 |
| Staff advances and borrowings | 2,380 | 4,964 | 1,614 |
| Others | 2,635 | 2,422 | 1,060 |
| Less: provision for loss allowance of receivables | (2,737) | (6,575) | (5,032) |
| **Total** | **25,400** | **114,266** | **87,967** |

Our other receivables increased significantly from RMB25.4 million as of December 31, 2022 to RMB114.3 million as of December 31, 2023, primarily attributable to (i) an increase in advances on behalf of customers for purchasing software and hardware for their projects, primarily resulting from the growth of our software and hardware agency services where we make advanced payments on behalf of our customers; and (ii) an increase in deposits, primarily due to (a) the increased performance security deposits related to the increased customer orders for satellite-based solutions and; (b) the increased deposits for leased properties.

Our other receivables decreased by 23.0% from RMB114.3 million as of December 31, 2023 to RMB88.0 million as of September 30, 2024, primarily due to (i) a decrease in advances on behalf of our customers, primarily because we reduced provision of software and hardware agency services; and (ii) a decrease in deposits as our deposits for leased properties were refunded.

**Prepayment and Other Current Assets**

Our prepayment and other current assets primarily consist of (i) prepayments for goods and service procured; (ii) prepayment for Shenzhen Center and Jiaxing satellite testing base; and (iii) prepaid taxes and surcharges and deductible VAT-in. The following table sets forth a breakdown of our prepayments and other current assets as of the dates indicated:

| | As of December 31, | | As of September 30, |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | | | *(Unaudited)* |
| | | *(RMB in thousands)* | |
| **Non-current** | | | |
| Prepayment for Shenzhen Center and Jiaxing satellite testing base | – | 6,394 | 18,755 |
| Prepayment for lease hold improvement | – | 2,415 | 9,740 |
| **Current** | | | |
| Prepayments for goods and service | 37,238 | 36,373 | 32,692 |
| Prepaid taxes and surcharges and deductible VAT-in | 2,277 | 7,276 | 17,315 |
| Prepaid and accrued [**REDACTED**] expenses | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| Prepaid rental expense | 221 | 101 | 21 |
| **Total** | **39,736** | **52,559** | **79,726** |

Our prepayments and other current assets increased significantly from RMB39.7 million as of December 31, 2022 to RMB52.6 million as of December 31, 2023, primarily attributable to (i) an increase in prepayments for Jiaxing satellite testing base mainly for designing and renovation services and equipment; and (ii) an increase in prepaid taxes and surcharges and deductible VAT-in related to our increased sales.

Our prepayments and other current assets increased by 51.5% from RMB52.6 million as of December 31, 2023 to RMB79.7 million as of September 30, 2024, primarily attributable to (i) an increase in prepayment for Shenzhen Center and Jiaxing satellite testing base mainly for designing and renovation services; (ii) an increase in prepaid taxes and surcharges and deductible VAT-in related to our increased sales; and (iii) an increase in prepayment for lease hold improvement related to Jiaxing satellite testing base and our headquarter building in Chengdu; partially offset by a decrease in prepayments for goods and service, mainly because our improved bargaining power allowed us to secure more favorable contract terms with our suppliers.

## Financial Assets at Fair Value through Profit or Loss

Our financial assets at FVPL primarily represent our structured deposits. As of December 31, 2022, 2023 and September 30, 2024, we had financial assets at FVPL of RMB262.2 million, RMB191.4 million and nil, respectively. Our financial assets at FVPL decreased continuously during the Track Record Period due to the decreasing balance of our structured deposits in line with our fund management strategy.

We monitor and control our investment risks with a comprehensive set of internal policies and guidelines to manage our investments. To control our risk exposure, we generally invest in low-risk financial products while ensuring sufficient working capital to meet business needs, operating activities, R&D and capital expenditures, taking into account a number of factors including the general market conditions, risk control, credit of the issuing financial institution, our own working capital conditions, duration of the investment and the expected return from the investment. Our finance department proposes, analyzes and evaluates potential investments in wealth management products, benchmarking these products against the interest rates of bank financial products available on the market. The purchase of relevant wealth management products is subject to the necessary approvals from our chief financial officer, the chief executive officer and chairman of the Board before any investment.

## Trade and Other Payables

As of December 31, 2022, 2023 and September 30, 2024, we had trade and other payables of RMB76.5 million, RMB502.5 million and RMB518.8 million, respectively.

### *Trade Payables*

Our trade payables primarily represent outstanding amounts due to our suppliers. The following table sets forth a breakdown of our trade payables as of the dates indicated:

| | As of December 31, | | As of September 30, |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | | | *(Unaudited)* |
| | | *(RMB in thousands)* | |
| Note payables | 14,000 | 7,045 | 24,242 |
| Trade Payables | | | |
| – Due to third parties | 40,375 | 246,929 | 244,649 |
| – Due to related parties | – | 3,509 | 684 |
| **Total** | **54,375** | **257,483** | **269,575** |

Our trade payables increased significantly from RMB40.4 million as of December 31, 2022 to RMB250.4 million as of December 31, 2023, primarily attributable to an increase in trade payables due to third parties, mainly resulting from the increased procurement for our satellite-based solutions business. Our trade payables remained relatively stable at RMB250.4 million as of December 31, 2023 and RMB245.3 million as of September 30, 2024.

During the Track Record Period, our suppliers generally granted us a credit period up to 30 days upon achieving project milestones. The following table sets forth an aging analysis of our trade payables, based on recognition as of the dates indicated:

| | As of December 31, | | As of September 30, |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | | | *(Unaudited)* |
| | | *(RMB in thousands)* | |
| Within one year | 30,359 | 221,888 | 204,083 |
| From one to two years | 1,312 | 25,188 | 37,884 |
| From two to three years | 8,331 | 869 | 1,129 |
| Over three years | 373 | 2,493 | 2,237 |
| **Total** | **40,375** | **250,438** | **245,333** |

The following table sets forth the turnover days of our trade payables for the periods indicated:

| | Year ended December 31, | | Nine months ended September 30, |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | | *(days)* | |
| Trade payables turnover days[(1)] | 93.9 | 119.9 | 380.5 |

*Note:*

(1) Trade payables turnover days for a year/period equal the average of the opening and closing balance of trade payables for the relevant year/period divided by the cost of sales for the relevant year/period and multiplied by the number of days in the relevant year/period, which is 360 days for each year and 270 days for nine months.

Our trade payables turnover days increased from 93.9 days in 2022 to 119.9 days in 2023 and 380.5 days in the nine months ended September 30, 2024, primarily because (i) we increased procurement in preparation for fullfiling sales orders; and (ii) the payment terms have not been met for certain trade payables.

As of the Latest Practicable Date, approximately RMB83.1 million, or 33.9% of our trade payables as of September 30, 2024 had been subsequently settled.

### *Other Payables*

Our other payables primarily include (i) payables to purchase of property, plant and equipment, (ii) note payables, (iii) purchase on behalf of customers, and (iv) staff salaries and welfare payables. The following table sets forth a breakdown of our other payables as of the dates indicated:

| | As of December 31, | | As of September 30, |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | | | *(Unaudited)* |
| | | *(RMB in thousands)* | |
| Payables on purchase of property, plant and equipment | 1,007 | 177,423 | 194,511 |
| Purchase on behalf of customers | 2,137 | 25,525 | 15,961 |
| Staff salaries and welfare payables | 10,559 | 17,344 | 10,231 |
| Accrued taxes other than income tax | 4,056 | 14,545 | 18,729 |
| Payables on accrued [**REDACTED**] expenses | [**REDACTED**] | [**REDACTED**] | [**REDACTED**] |
| Others | 4,358 | 10,144 | 3,001 |
| **Total** | **22,117** | **244,981** | **249,204** |

*Note:*

(1) Others mainly include provision for litigations, payables to related parties and payables on conditional government grants.

Our other payables increased significantly from RMB22.1 million as of December 31, 2022 to RMB245.0 million as of December 31, 2023, primarily attributable to (i) an increase in payables on purchase of property, plant and equipment due to the execution of the purchase agreement in 2023 for the acquisition of our headquarter building in Chengdu; (ii) an increase in purchase on behalf of our customers in line with the increase in our software and hardware agency services where we make procurement from designated suppliers on behalf of our customers.

Our other payables remained relatively stable at RMB245.0 million as of December 31, 2023 and RMB249.2 million as of September 30, 2024.

### Contract Liabilities

Our contract liabilities represent advance payment from customers for products and services not yet delivered or accepted. Our contract liabilities significantly increased from RMB4.6 million as of December 31, 2022 to RMB43.7 million as of December 31, 2023, and then increased by 8.2% to RMB47.3 million as of September 30, 2024, primarily due to the increased number of customer orders to be fulfilled.

## KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios for the periods indicated:

| | Year ended/As of December 31, | | Nine months ended/ As of September 30, | |
|---|---|---|---|---|
| | 2022 | 2023 | 2023 | 2024 |
| Gross profit margin (%)[(1)] | 25.4 | 14.0 | 18.2 | 25.9 |
| Net loss margin (%)[(2)] | (51.2) | (27.4) | (105.1) | (90.1) |
| Adjusted net loss margin (non-IFRS measure) (%)[(3)] | (37.9) | (17.9) | (72.2) | (56.0) |
| Current ratio[(4)] | 4.3 | 1.7 | NA | 1.3 |
| Gearing ratio (%)[(5)] | 2.8 | NA | NA | NA |

*Notes:*

(1) Gross profit margin equals gross profit divided by revenue and multiplied by 100%.

(2) Net loss margin equals net loss for the year or period divided by revenue for the year or period and multiplied by 100%.

(3) Adjusted net loss margin (non-IFRS measure) equals adjusted net loss (non-IFRS measure) for the year or period divided by revenue for the year or period and multiplied by 100%.

(4) Current ratio equals current assets divided by current liabilities as of the same date.

(5) Gearing ratio equals net debts (including borrowings and lease liabilities less cash and cash equivalents) divided by the total equity as of the end of the respective period and multiplied by 100%.

## LIQUIDITY AND CAPITAL RESOURCES

We have historically funded our cash requirements principally from cash generated from operations, equity and debt financing. We monitor and maintain a level of cash and cash equivalents deemed adequate to finance our operations and mitigate the effects of fluctuations in cash flows. As of December 31, 2022, 2023, September 30, 2024 and November 30, 2024, we had cash and cash equivalent of RMB38.0 million, RMB124.6 million, RMB110.8 million and RMB104.9 million, respectively. Going forward, we believe that our liquidity requirements will be satisfied by using a combination of operating cash flow, equity and debt financing and the estimated net [**REDACTED**] received from the [**REDACTED**].

## Cash Flow

The following table sets forth our cash flow for the periods indicated:

| | Year ended December 31, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2022 | 2023 | 2023 | 2024 |
| | | | *(Unaudited)* | |
| | *(RMB in thousands)* | | | |
| Net cash flows used in operating activities | (113,790) | (313,474) | (200,344) | (165,809) |
| Net cash flows (used in)/ generated from investing activities | 4,885 | (121,262) | (288,787) | 120,141 |
| Net cash flows generated from financing activities | 122,538 | 521,302 | 505,521 | 31,837 |
| Net increase/(decrease) in cash and cash equivalents | 13,633 | 86,566 | 16,390 | (13,831) |
| Cash and cash equivalents at beginning of the year | 24,392 | 38,025 | 38,025 | 124,591 |
| Effects of exchange rate changes on cash and cash equivalents | – | – | – | – |
| Cash and cash equivalents at end of year/period | 38,025 | 124,591 | 54,415 | 110,760 |

### *Net Cash Flows Used in Operating Activities*

Our net cash flows used in operating activities primarily represented our loss before tax for the period adjusted by: (i) non-cash and non-operating items; and (ii) changes in working capital.

In the nine months ended September 30, 2024, our net cash flows used in operating activities was RMB165.8 million, which was primarily attributed to our loss before tax of RMB213.7 million, as adjusted by (i) non-cash and non-operating items, primarily comprising (a) share-based payments for employees of RMB70.3 million, (b) loss on disposal of property, plant and equipment of RMB16.5 million, and (c) depreciation of property, plant and equipment of RMB20.0 million; and (ii) changes in working capital, which primarily comprised (a) an increase in inventories of RMB56.2 million mainly due to our increased customer orders, and (b) an increase in contract assets of RMB19.4 million, mainly due to the increased number of customer orders to be fulfilled, which is partially offset by a decrease in other receivables of RMB27.5 million, mainly related to the decreased advances on behalf of our customers for our software and hardware agency services.

In 2023, our net cash flows used in operating activities was RMB313.5 million, which was primarily attributed to our loss before tax of RMB139.2 million, as adjusted by (i) non-cash and non-operating items, primarily comprising (a) share-based payments for employees of RMB48.6 million, and (b) provision for loss allowance of receivables of RMB20.8 million; and (ii) changes in working capital, which primarily comprised (a) an increase in trade receivables of RMB393.8 million, mainly due to our increased customer orders around year-end, (b) an increase in other receivables of RMB92.7 million, mainly due to increased advances on behalf of customers for our software and hardware agency business, and increased performance security deposits related to the increase in our satellite-based solutions business, and (c) an increase in inventories of RMB30.5 million, mainly due to our increased customer orders and satellites under production, which is partially offset by (a) an increase in trade and other payables of RMB249.3 million, mainly due to the increased procurement for our satellite-based solutions business, as well as the acquisition of our headquarter building in Chengdu, and an increase in purchase on behalf of our customers for our software and hardware agency services, and (b) and increase in contract liabilities of RMB39.1 million, mainly due to the increased number of customer orders to be fulfilled.

In 2022, our net cash flows used in operating activities was RMB113.8 million, which was primarily attributed to our loss before tax of RMB90.9 million, as adjusted by (i) non-cash and non-operating items, primarily comprising share-based payments for employees of RMB23.6 million; and (ii) changes in working capital, which primarily comprised (a) an increase in trade receivables of RMB99.9 million, primarily due to our increased customer orders, and (b) an increase in prepayments and other current assets of RMB17.4 million, mainly due to the increase in our satellited-based solutions business, which is partially offset by (a) an increase in trade and other payables of RMB26.1 million, mainly due to the increased procurement for our growing business, and (b) an decrease in inventories of RMB25.0 million, primarily due to our increased customer orders.

***Net Cash Flows Used in or Generated from Investing Activities***

In the nine months ended September 30, 2024, our net cash flows generated from investing activities was RMB120.1 million, which was primarily attributable to proceeds from disposal of financial assets at FVPL of RMB311.4 million, partially offset by (i) investment payments for financial assets at FVPL of RMB120.0 million, and (ii) purchases of property, plant and equipment and intangible assets of RMB64.6 million.

In 2023, our net cash flows used in investing activities was RMB121.3 million, which was primarily attributable to (i) investment payments for financial assets at FVPL of RMB1,330.0 million, and (ii) purchases of property, plant and equipment and intangible assets of RMB202.9 million, partially offset by proceeds from disposal of financial assets at FVPL of RMB1,402.2 million.

In 2022, our net cash flows generated from investing activities was RMB4.9 million, which was primarily attributable to (i) investment payments for financial assets at FVPL of RMB 920.0 million, and (ii) purchases of property, plant and equipment and intangible assets of RMB33.0 million, partially offset by proceeds from disposal of financial assets at FVPL of RMB950.7 million.

### *Net Cash Flows Generated from Financing Activities*

In the nine months ended September 30, 2024, our net cash flows generated from financing activities was RMB31.8 million, which was primarily attributable to (i) proceeds from bank borrowings of RMB75.0 million, and (ii) capital contributions from shareholders of RMB10.0 million, partially offset by repayments of bank borrowings of RMB50.0 million.

In 2023, our net cash flows generated from financing activities was RMB521.3 million, which was primarily attributable to (i) capital contribution from shareholders of RMB492.0 million, and (ii) proceeds from bank borrowings of RMB65.0 million, partially offset by (iii) repayments of bank borrowings of RMB30.9 million.

In 2022, our net cash flows generated from financing activities was RMB122.5 million, which was primarily attributable to (i) capital contribution from shareholders of RMB80.0 million, and (ii) proceeds from bank borrowings of RMB45.9 million.

## Net Current Assets

The following table sets forth our current assets and liabilities as of the dates indicated:

| | As of December 31, | | As of September 30, | As of November 30, |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2024 |
| | *(RMB in thousands)* | | | *(unaudited)* |
| **Current assets** | | | | |
| Inventories | 11,508 | 42,024 | 98,198 | 90,334 |
| Trade receivables | 128,749 | 500,860 | 500,188 | 555,068 |
| Other receivables | 24,815 | 114,050 | 87,821 | 87,051 |
| Contract asset | 1,053 | 1,502 | 1,230 | 1,230 |
| Income tax recoverable | 270 | 524 | 3,563 | 3,563 |
| Prepayments and other current assets | 39,736 | 43,750 | 51,231 | 105,343 |
| Financial assets at fair value through profit or loss ("FVTPL") | 262,174 | 191,370 | – | – |
| Restricted cash | – | 20,051 | 29,418 | 32,786 |
| Cash and cash equivalents | 38,025 | 124,591 | 110,760 | 104,879 |
| **Total current assets** | **506,330** | **1,038,722** | **882,409** | **980,254** |
| **Current liabilities** | | | | |
| Trade and other payables | 76,492 | 502,464 | 518,779 | 550,761 |
| Income tax payables | 6 | 124 | 1 | 1 |
| Contract liabilities | 3,533 | 43,183 | 46,743 | 86,738 |
| Borrowings | 35,900 | 65,020 | 99,950 | 129,950 |
| Lease liabilities | 3,019 | 3,647 | 4,057 | 3,607 |
| **Total current liabilities** | **118,950** | **614,438** | **669,530** | **771,057** |
| **Net current assets** | **387,380** | **424,284** | **212,879** | **209,197** |

Our net current assets remained relatively stable at RMB212.9 million as of September 30, 2024 and RMB209.2 million as of November 30, 2024.

Our net current assets decreased by 49.8% from RMB424.3 million as of December 31, 2023 to RMB212.9 million as of September 30, 2024, primarily because we used current assets to finance certain non-current assets, primarily the additions to our property, plants and equipment, including construction in progress and leasehold improvements, and prepayment for Shenzhen Center and Jiaxing satellite testing base, during the nine months ended September 30, 2024.

Our net current assets increased by 9.5% from RMB387.4 million as of December 31, 2022 to RMB424.3 million as of December 31, 2023, primarily due to the increase in current assets resulting from the capital contribution from shareholders partially offset by the use of current assets to finance certain non-current assets, primarily the additions to our property, plants and equipment, mainly construction in progress, and prepayment for Shenzhen Center and Jiaxing satellite testing base, during 2023.

## INDEBTEDNESS

As of December 31, 2022 and 2023, September 30, 2024 and November 30, 2024, our indebtedness consisted of borrowings, lease liabilities and loans from third parties. As of November 30, 2024, being the indebtedness date for the purpose of the indebtedness statement, we had total indebtedness of RMB130.8 million.

The following table sets forth the details of our indebtedness as of the dates indicated:

| | As of December 31, | | As of September 30, | As of November 30, |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2024 |
| | | | *(Unaudited)* | |
| | *(RMB in thousands)* | | | |
| **Current** | | | | |
| Borrowings | 35,900 | 65,020 | 99,950 | 120,000 |
| Lease liabilities | 3,019 | 3,647 | 4,057 | 3,506 |
| **Non-current** | | | | |
| Borrowings | 9,960 | 9,940 | – | – |
| Lease liabilities | 1,553 | 4,841 | 7,685 | 7,285 |
| **Total** | **50,432** | **83,448** | **111,692** | **130,791** |

**Borrowings**

As of December 31, 2022 and 2023, September 30, 2024 and November 30, 2024, our borrowings were RMB45.8 million, RMB75.0 million, RMB100.0 million and RMB120.0 million, respectively. As of December 31, 2022, 2023, September 30, 2024, the majority of our borrowings were unsecured bank borrowings.

As of December 31, 2022 and 2023 and September 30, 2024, the weighted interest rates of bank borrowing were 3.1%, 3.3% and 3.2%, respectively. See Note 33 of Appendix I to this document. As of November 30, 2024, our unutilized banking facilities were RMB257.3 million.

Our Directors confirm that, there was no material covenant on any of our outstanding debt as of the Latest Practicable Date, and there was no breach of any covenants during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that we did not experience any unusual difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

**Lease Liabilities**

Our lease liabilities are in relation to properties we leased primarily for office space and production platforms. As of December 31, 2022 and 2023, September 30, 2024 and November 30, 2024, our total lease liabilities (including current and non-current portions) were RMB4.6 million, RMB8.5 million, RMB11.7 million and RMB10.8 million, respectively, related to the increase in leases of our offices and Jiaxing satellite testing base as our business expanded.

**Contingent Liabilities**

As of December 31, 2022, 2023, September 30, 2024 and up to the Latest Practicable Date, we did not have any material contingent liabilities.

Except as disclosed above, as of November 30, 2024, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), or acceptance credits, which were either guaranteed or unguaranteed, secured or unsecured. Our Directors confirm that there has not been any material change in our indebtedness since November 30, 2024 and up to the Latest Practicable Date.

## CAPITAL COMMITMENTS

The following table sets forth the details of our capital commitments as of the dates indicated:

| | As of December 31, | | As of September 30, |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *(RMB in thousands)* | | |
| Property, plant and equipment | – | 62,596 | 48,908 |

## CAPITAL EXPENDITURES

During the Track Record Period, our capital expenditures were related to purchases of property, plant and equipment and intangible assets. We had capital expenditures of RMB33.0 million, RMB202.9 million, RMB34.0 million and RMB64.6 million in 2022, 2023 and the nine months ended September 30, 2023 and 2024, respectively. The following table sets forth the details of our capital expenditures for the periods indicated:

| | Year ended December 31, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2022 | 2023 | 2023 | 2024 |
| | | | *(Unaudited)* | |
| | *(RMB in thousands)* | | | |
| Purchases of property, plant and equipment | 30,183 | 194,704 | 25,815 | 49,979 |
| Purchase of intangible assets | 2,851 | 8,170 | 8,170 | 14,626 |
| **Total** | **33,034** | **202,874** | **33,985** | **64,605** |

## OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet arrangements.

## PROPERTY INTERESTS AND PROPERTY VALUATION

We had contracted to purchase a property located in Chengdu, Sichuan, with a gross floor area of approximately 25,045.11 sq.m, in December 2023. See "Business — Properties — Owned Properties." Our Independent Property Valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, has valued this property as of November 30, 2024. Details of the valuation are summarized in "Appendix III — Valuation Report."

A reconciliation of our selective property interests as of November 30, 2024 and such property interests in our financial statements as of September 30, 2024, as required under Rule 5.07 of the Listing Rules is set out below:

| | *RMB in thousands* |
|---|---|
| Net book value of property interest as of September 30, 2024[(1)] | 360,464 |
| Add: Additions | – |
| Less: Depreciations for the period from October 1, 2024 to November 30, 2024 | (1,653) |
| Net book value as of November 30, 2024 | 358,811 |
| Valuation surplus/(deficit) | 7,189 |
| Reference value as of November 30, 2024[(2)] | 366,000 |
| Less: Property interest without commercial value due to the lack of title certificate | (366,000) |
| Valuation as of November 30, 2024 | – |

*Notes:*

(1) Property included in the valuation report contained in App III to the document.

(2) Represents the commercial value of the property assuming all relevant title certificates have been obtained and the units could be freely transferred.

## MATERIAL RELATED PARTY TRANSACTIONS

For details about our related party transactions during the Track Record Period, see Note 39 of Appendix I to this document.

Our Directors believe that our transactions with related parties during the Track Record Period were conducted on normal commercial terms and on an arm's length basis in the ordinary and usual course of business, and they did not distort our results of operations or make our historical results not reflective of our future performance.

## FINANCIAL RISK

We are exposed to a variety of financial risks, such as market risk (including price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. See Note 3.1 of Appendix I to this document for a detailed description of our financial risk management.

### Market Risk

#### *Foreign Exchange Risk*

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the respective group entities' functional currency. We mainly operate in the PRC with most of the transactions settled in RMB.

#### *Cash Flow and Fair Value Interest Rate Risk*

Our income and operating cash flows are substantially independent of changes in market interest rates. We have no significant interest-bearing assets and liabilities, except for cash and cash equivalents, restricted cash, lease liabilities and borrowings. Financial assets and liabilities at variable rates expose us to cash flow interest rate risk. Financial assets and liabilities at fixed rates expose us to fair value interest rate risk.

### Credit Risk

Credit risk is the risk of loss that a counterparty fails to or is unwilling to meet its obligations. We are exposed to credit risk in relation to our cash and cash equivalents, restricted cash, trade and other receivables, and contract assets. See Note 3.1(b) of Appendix I to this document.

### Liquidity Risk

Our management regularly monitors current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding to meet its liquidity requirements in the short and long term.

## DIVIDENDS

No dividends have been paid or declared by our Company during the Track Record Period. Currently, we do not have a fixed dividend distribution ratio. Any future declarations and payments of dividends will be at the discretion of our Directors and will depend on our actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors which our Directors consider relevant. As advised by our PRC legal Advisor, no dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Any future net profit that we make will have to be first applied to make up for our historically accumulated losses, after which we will be obliged to allocate 10% of our net profit to our statutory common reserve fund until such fund has reached more than 50% of our registered capital. Our Shareholders in a general meeting may approve any declaration of dividends recommended by our Board. We do not expect to pay dividends in 2024.

## WORKING CAPITAL CONFIRMATION

Taking into account the financial resources available to us, including cash generated from operations, equity and debt financing and the estimated net proceeds from the [**REDACTED**], our Directors are of the view that we have sufficient working capital to meet our present requirements and for the next 12 months from the date of this document.

Taking into account the above as well as the written confirmation from the Company in respect of working capital sufficiency and due diligence work conducted by the Sole Sponsor, nothing has come to the attention of the Sole Sponsor that would reasonably cause the Sole Sponsor to disagree with the Directors' view above.

## DISTRIBUTABLE RESERVES

As of September 30, 2024, we did not have any distributable reserves.

## [REDACTED] EXPENSES

We recorded [**REDACTED**] expenses of [**REDACTED**], [**REDACTED**], [**REDACTED**] and RMB[**REDACTED**] for the year ended December 31, 2022 and 2023 and the nine months ended September 30, 2023 and 2024, respectively. We expect to incur a total of approximately RMB[**REDACTED**] (HK$[**REDACTED**]) of [**REDACTED**] expenses in connection with the [**REDACTED**], representing approximately [**REDACTED**]% of the gross [**REDACTED**] from the [**REDACTED**] (assuming an [**REDACTED**] of HK$[**REDACTED**], being the mid-point of the indicative [**REDACTED**] range and assuming that the [**REDACTED**] is not exercised), including (i) [**REDACTED**] commissions, SFC transaction levy, Stock Exchange trading fees and AFRC transaction levy for all [**REDACTED**] of approximately RMB[**REDACTED**] (HK$[**REDACTED**]), and (ii) [**REDACTED**] related expenses of approximately RMB[**REDACTED**] (HK$[**REDACTED**]), which consist of (a) fees and expenses of sponsor, legal advisors and accountants of approximately RMB[**REDACTED**] (HK$[**REDACTED**]), and (b) other fees and expenses of approximately RMB[**REDACTED**] (HK$[**REDACTED**]). Approximately RMB[**REDACTED**] (HK$[**REDACTED**]) is expected to be charged to our consolidated statements of profit or loss, and approximately RMB[**REDACTED**] (HK$[**REDACTED**]) is expected to be deducted from equity. The [**REDACTED**] expenses above are the best estimate as of the Latest Practicable Date and for reference only. The actual amount may differ from this estimate.

## UNAUDITED [REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

See "Appendix II — Unaudited [**REDACTED**] Financial Information."

## NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, the Directors confirm that, save as disclosed in "Summary — Recent Development and No Material Adverse Change" up to the date of this document, there had been no material adverse change in our financial or trading position or prospects since September 30, 2024, being the end date of the periods reported in Appendix I to this document, and there is no event since September 30, 2024 that would materially affect the information as set out in the Accountant's Report in Appendix I to this document.

## DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this document, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

## FUTURE PLANS

See "Business — Our Strategies" for a detailed description of our future plans.

## USE OF [REDACTED]

Assuming that the [**REDACTED**] is not exercised, after deducting the [**REDACTED**] commissions and other estimated [**REDACTED**] expenses payable by us in connection with the [**REDACTED**], and assuming an [**REDACTED**] of HK$[**REDACTED**] per Share (being the mid-point of the indicative [**REDACTED**]), we estimate that we will receive net [**REDACTED**] of approximately HK$[**REDACTED**] from the [**REDACTED**]. We intend to use the net [**REDACTED**] from the [**REDACTED**] for the purposes and in the amounts set forth below:

- approximately [**REDACTED**] of the net [**REDACTED**], or HK$[**REDACTED**], is expected to be used for the construction of the Shenzhen Center, upon the approval from the relevant authorities, to meet the increasing market demand. In this connection, we acquired a parcel of land in January 2024 with an aggregate GFA of 30,828 sq.m. in Shenzhen and were in the design phase for this parcel of land as of the Latest Practicable Date. As of the Latest Practicable Date, we had completed the design for the Shenzhen Center and were in the process of communicating with competent authorities regarding the plan. We intend to submit the plan to competent authorities for review within 2025. In particular:

    ◦ approximately [**REDACTED**] of the net [**REDACTED**], or HK$[**REDACTED**], is expected to be used for civil engineering and renovation of the Shenzhen Center, including design planning, civil construction, and basic interior fit-out for offices, ancillary facilities and factory spaces within the Shenzhen Center;

    ◦ approximately [**REDACTED**] of the net [**REDACTED**], or HK$[**REDACTED**], is expected to be used for the purchase of machinery and equipment for the Shenzhen Center, such as the thermal vacuum testing system (真空熱試驗系統) and laser tracker measurement system (激光跟踪儀測量系統); and

    ◦ approximately [**REDACTED**] of the net [**REDACTED**], or HK$[**REDACTED**], is expected to be used for expanding our production team at the Shenzhen Center. We aim to attract experienced personnel with experience in satellite production, including in satellite assembly, electrical testing, mechanical testing and thermal testing. We believe that expanding our production team at the Shenzhen Center will enhance production capabilities, improve operational efficiency and support the scaling of our AI satellite production and provision of satellite-based solutions.

- approximately [**REDACTED**] of the net [**REDACTED**], or HK$[**REDACTED**], is expected to be used to enhance our R&D capabilities. We aim to expand our R&D teams located at the Shenzhen Center (upon the approval from the relevant authorities), as well as in Shanghai and Chengdu. We plan to enhance our R&D efforts in AI computing satellites and develop satellite-based solutions tailored to individual customers. These efforts will enable us to strengthen our technological capabilities, enhance the functionality of our AI satellites and support the long-term scalability of our solutions. In particular:

  - approximately [**REDACTED**] of the net [**REDACTED**], or HK$[**REDACTED**], is expected to be used for purchase of equipment and materials for the development of AI computing satellites, including experimental satellites for verification, computing cluster servers, and ground testing devices. The purchase of these equipment and materials will enable us to conduct rigorous testing and validation, ensuring the reliability of our AI satellites and facilitating their integration into real-world applications;

  - approximately [**REDACTED**] of the net [**REDACTED**], or HK$[**REDACTED**], is expected to be used for expanding our R&D team focusing on developing AI computing satellites. We aim to recruit professionals specialized in AI technology and satellite engineering to improve AI algorithms, optimize satellite structures, and enhance the capabilities and functionalities of our AI computing satellites. This approach will be critical in advancing the autonomous remote sensing data processing capabilities of our satellites, improving decision-making, and reducing reliance on ground control systems; and

  - approximately [**REDACTED**] of the net [**REDACTED**], or HK$[**REDACTED**], is expected to be used for expanding our R&D team focusing on the development of diverse satellite-based solutions for individual customers. In particular, we plan to recruit experienced solution development personnel to upgrade existing applications and develop new initiatives that deploys our Lingjing Engine to provide diversified services and entertainment for customers, such as the Star Tour, the "Leap Over the Moon (飛躍月球)" gaming module, the brand marketing tool "Star Screen (星屏)," the aerospace science education program "Galactic Lighthouse (銀行燈塔)," the offline experience store "Star Space (星空間)," and the sports application "Star Motion (星動)." These product and service innovations will engage users in new ways, further expanding the applications of satellite-based technology in entertainment, education and marketing.

- approximately [**REDACTED**] of the net [**REDACTED**], or HK$[**REDACTED**], is expected to be used for selectively pursuing strategic investment and acquisition opportunities to enhance our products, diversify our satellite-based solutions, and broaden our customer base as part of our long-term growth strategy. When assessing investment or acquisition opportunities, we focus on targets along our supply chain that offer business synergies, including those that may enhance our R&D and production capabilities or possess established expertise or customer bases in satellite-related applications. As of the Latest Practicable Date, we had not identified or pursued any strategic investment or acquisition targets, nor had we set any definitive investment or acquisition timeframe.

- approximately [**REDACTED**] of the net [**REDACTED**], or HK$[**REDACTED**], is expected to be used for working capital and other general corporate purposes.

In the event that the [**REDACTED**] is set at the maximum [**REDACTED**] or the minimum [**REDACTED**] of the indicative [**REDACTED**] range, the net [**REDACTED**] of the [**REDACTED**] will increase or decrease by approximately HK$[**REDACTED**], respectively. To the extent that the net [**REDACTED**] from the [**REDACTED**] (including the net [**REDACTED**] from the exercise of the [**REDACTED**]) are either more or less than expected, we will adjust our allocation of the net [**REDACTED**] for the above purposes on a pro rata basis.

If any part of our development plan does not proceed as planned for reasons such as changes in government policies that would render the development of any of our projects not viable, or the occurrence of force majeure events, we will carefully evaluate the situation and may reallocate the net [**REDACTED**] from the [**REDACTED**].

To the extent that the net [**REDACTED**] of the [**REDACTED**] are not immediately used for the above purposes or if we are unable to put into effect any part of our plan as intended, and to the extent permitted by the relevant laws and regulations, we currently intend to deposit such net [**REDACTED**] into short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the Securities and Futures Ordinance or the applicable laws and regulations in other jurisdictions) so long as it is deemed to be in the best interests of the Company. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

[**REDACTED**]

[REDACTED]

[**REDACTED**]

[REDACTED]

[**REDACTED**]

[REDACTED]

[**REDACTED**]

[**REDACTED**]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

**The Sole Sponsor's Independence**

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

[REDACTED]

[REDACTED]

[**REDACTED**]

[**REDACTED**]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

**[REDACTED]**

**[REDACTED]**

[**REDACTED**]

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[**REDACTED**]

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[REDACTED]

**[REDACTED]**

[REDACTED]

[REDACTED]

[REDACTED]

**[REDACTED]**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[**REDACTED**]

[REDACTED]

[REDACTED]

*The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, [PricewaterhouseCoopers], Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of HKSIR 200, Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.*

[***Letterhead of PricewaterhouseCoopers***]

[*DRAFT*]

**ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF ADASPACE TECHNOLOGY CO., LTD. AND GUOTAI JUNAN CAPITAL LIMITED**

**Introduction**

We report on the historical financial information of Adaspace Technology Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-77, which comprises the consolidated balance sheets as at 31 December 2022 and 2023, the balance sheets as at 31 December 2022 and 2023, and the consolidated statements of comprehensive loss, the consolidated statements of changes in equity and the consolidated statements of cash flow for each of the years ended 31 December 2022 and 2023 (the "Track Record Period") and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-77 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [*date*] (the "Document") in connection with the initial [**REDACTED**] of H shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

**Directors' responsibility for the Historical Financial Information**

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

**Reporting accountant's responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified

Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at 31 December 2022 and 2023 and the consolidated financial position of the Group as at 31 December 2022, 2023 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2.1.1 to the Historical Financial Information.

**Review of stub period financial information**

We have reviewed the stub period financial information of the Group which comprises the consolidated balance sheet as at 30 September 2024, the company balance sheet as at 30 September 2024, the consolidated statement of comprehensive loss, the consolidated statements of changes in equity and the consolidated statements of cash flows for the nine months ended 30 September 2023 and 2024 and other explanatory information (the "Stub Period Financial Information"). The directors of the Company are responsible for the presentation and preparation of the Stub Period Financial Information in accordance with the basis of preparation set out in Note 2.1.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the International Auditing and Assurance Standards Board* ("IAASB"). A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2.1.1 to the Historical Financial Information.

**Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

***Adjustments***

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

***Dividends***

We refer to note 31 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

**[PricewaterhouseCoopers]**
*Certified Public Accountants*
Hong Kong
[Date]

## I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

### Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by [PricewaterhouseCoopers] in accordance with International Standards on Auditing issued by the IAASB (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand RMB (RMB'000) except when otherwise indicated.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

| | Note | Year ended 31 December | | Nine months ended 30 September | |
|---|---|---|---|---|---|
| | | 2022 | 2023 | 2023 | 2024 |
| | | *RMB'000* | *RMB'000* | *RMB'000* *(Unaudited)* | *RMB'000* *(Unaudited)* |
| **Revenue** | *6* | 177,421 | 507,541 | 105,921 | 237,279 |
| Cost of sales | *7* | (132,422) | (436,476) | (86,645) | (175,883) |
| **Gross profit** | | 44,999 | 71,065 | 19,276 | 61,396 |
| Selling and marketing expenses | *7* | (35,380) | (41,984) | (30,401) | (20,105) |
| General and administrative expenses | *7* | (71,287) | (131,226) | (86,824) | (130,996) |
| Research and development expenses | *7* | (45,820) | (53,478) | (30,825) | (104,852) |
| Net impairment loss on financial assets and contract assets | *3.1(b)* | (6,835) | (20,758) | (6,263) | (3,654) |
| Other income | *9* | 14,189 | 27,025 | 16,132 | 2,770 |
| Other gain/(loss) — net | *10* | 9,648 | 12,400 | 9,365 | (16,016) |
| **Operating loss** | | (90,486) | (136,956) | (109,540) | (211,457) |
| Finance income | *11* | 361 | 733 | 440 | 788 |
| Finance costs | *11* | (776) | (2,241) | (1,656) | (2,182) |
| Finance costs — net | | (415) | (1,508) | (1,216) | (1,394) |
| Share of loss of investments accounted for using the equity method | *19* | – | (710) | (522) | (823) |
| **Loss before income tax** | | (90,901) | (139,174) | (111,278) | (213,674) |
| Income tax expense | *12* | (6) | (126) | (2) | (1) |
| **Loss for the year/period** | | (90,907) | (139,300) | (111,280) | (213,675) |
| **Other comprehensive income** | | – | – | – | 5 |
| **Total comprehensive loss** | | (90,907) | (139,300) | (111,280) | (213,670) |
| **Attributable to:** | | | | | |
| Equity owners of the Company | | (88,337) | (138,087) | (107,919) | (201,160) |
| Non-controlling interests | | (2,570) | (1,213) | (3,361) | (12,510) |
| | | (90,907) | (139,300) | (111,280) | (213,670) |
| **Loss per share attributable to the equity owners of the Company** | | | | | |
| Basic and diluted loss per share (RMB) | *14* | (2.94) | (4.13) | (3.28) | (5.71) |

## CONSOLIDATED BALANCE SHEETS

| | | As at 31 December | | As at 30 September |
|---|---|---|---|---|
| | *Note* | **2022** | **2023** | **2024** |
| | | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | *(Unaudited)* |
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | *15* | 31,595 | 375,671 | 360,726 |
| Right-of-use assets | *16* | 7,102 | 10,603 | 26,580 |
| Investment properties | *17* | – | – | 45,440 |
| Intangible assets | *18* | 6,188 | 11,573 | 9,448 |
| Investments accounted for using equity method | *19* | – | 3,530 | 10,930 |
| Other receivables | *24* | 585 | 216 | 146 |
| Contract assets | *6.2* | – | 4,549 | 4,530 |
| Financial assets at fair value through other comprehensive income | *26,3.3* | 3,600 | 3,600 | 3,600 |
| Prepayment | *25* | – | 8,809 | 28,495 |
| **Total non-current assets** | | 49,070 | 418,551 | 489,895 |
| **Current assets** | | | | |
| Inventories | *21* | 11,508 | 42,024 | 98,198 |
| Trade receivables | *23* | 128,749 | 500,860 | 500,188 |
| Other receivables | *24* | 24,815 | 114,050 | 87,821 |
| Contract assets | *6.2* | 1,053 | 1,502 | 1,230 |
| Income tax recoverable | | 270 | 524 | 3,563 |
| Prepayments and other current assets | *25* | 39,736 | 43,750 | 51,231 |
| Financial assets at fair value through profit or loss | *27,3.3* | 262,174 | 191,370 | – |
| Restricted cash | *28* | – | 20,051 | 29,418 |
| Cash and cash equivalents | *28* | 38,025 | 124,591 | 110,760 |
| **Total current assets** | | 506,330 | 1,038,722 | 882,409 |
| **Total assets** | | 555,400 | 1,457,273 | 1,372,304 |

| | | As at 31 December | | As at 30 September |
|---|---|---|---|---|
| | *Note* | **2022** | **2023** | **2024** |
| | | *RMB'000* | *RMB'000* | *RMB'000* |
| | | | | *(Unaudited)* |
| **EQUITY** | | | | |
| Share capital | *29* | 30,963 | 35,160 | 35,218 |
| Other reserves | *30* | 648,520 | 1,184,690 | 1,264,757 |
| Accumulated loss | | (257,084) | (395,171) | (596,336) |
| **Total equity attributable to equity holders of Company** | | 422,399 | 824,679 | 703,639 |
| Non-controlling interests | | 861 | (137) | (11,808) |
| **Total equity** | | 423,260 | 824,542 | 691,831 |
| **LIABILITIES** | | | | |
| **Non-current liabilities** | | | | |
| Lease liabilities | *16* | 1,553 | 4,841 | 7,685 |
| Borrowings | *33* | 9,960 | 9,940 | – |
| Deferred government grants | *34* | 592 | 2,993 | 2,716 |
| Contract liabilities | *6.3* | 1,085 | 519 | 542 |
| **Total non-current liabilities** | | 13,190 | 18,293 | 10,943 |
| **Current liabilities** | | | | |
| Trade and other payables | *35* | 76,492 | 502,464 | 518,779 |
| Income tax payables | | 6 | 124 | 1 |
| Contract liabilities | *6.3* | 3,533 | 43,183 | 46,743 |
| Borrowings | *33* | 35,900 | 65,020 | 99,950 |
| Lease liabilities | *16* | 3,019 | 3,647 | 4,057 |
| **Total current liabilities** | | 118,950 | 614,438 | 669,530 |
| **Total liabilities** | | 132,140 | 632,731 | 680,473 |
| **Total equity and liabilities** | | 555,400 | 1,457,273 | 1,372,304 |

## BALANCE SHEET OF THE COMPANY

| | Note | As at 31 December | | As at 30 September |
|---|---|---|---|---|
| | | 2022 | 2023 | 2024 |
| | | *RMB'000* | *RMB'000* | *RMB'000* *(Unaudited)* |
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | *15* | 7,909 | 339,620 | 2,950 |
| Right-of-use assets | | 1,356 | 1,092 | 769 |
| Investment properties | *17* | – | – | 360,464 |
| Intangible assets | | 942 | 589 | 1,085 |
| Investments accounted for using equity method | *19* | – | 3,530 | 10,930 |
| Investments in subsidiaries | *13(b)* | 54,158 | 60,238 | 95,984 |
| Contract assets | | – | 3,015 | 3,028 |
| Financial assets at fair value through other comprehensive income | | 3,000 | 3,000 | 3,000 |
| Other receivables | *24* | 166,914 | 238,534 | 336,320 |
| Prepayment | | – | 2,415 | 9,740 |
| **Total non-current assets** | | 234,279 | 652,033 | 824,270 |
| **Current assets** | | | | |
| Inventories | *21* | 3,194 | 28,738 | 41,738 |
| Trade receivables | *23* | 74,486 | 252,867 | 360,586 |
| Other receivables | *24* | 106,884 | 322,433 | 364,568 |
| Income tax recoverable | | – | 250 | 3,226 |
| Prepayments and other current assets | *25* | 24,216 | 18,973 | 24,769 |
| Financial assets at fair value through profit or loss | *27* | 262,174 | 191,370 | – |
| Restricted cash | *28* | – | 16,051 | 16,795 |
| Cash and cash equivalents | *28* | 33,515 | 63,968 | 58,103 |
| **Total current assets** | | 504,469 | 894,650 | 869,785 |
| **Total assets** | | 738,748 | 1,546,683 | 1,694,055 |
| **EQUITY** | | | | |
| Share capital | | 30,963 | 35,160 | 35,218 |
| Other reserves | | 648,520 | 1,184,690 | 1,264,752 |
| Accumulated losses | | (56,266) | (131,022) | (207,911) |
| **Total equity** | | 623,217 | 1,088,828 | 1,092,059 |
| **LIABILITIES** | | | | |
| **Non-current liabilities** | | | | |
| Lease liabilities | | 735 | 766 | 622 |
| Contract liabilities | | 542 | 259 | 542 |
| Borrowings | *33* | 9,960 | 9,940 | – |
| Deferred government grants | | 592 | 2,993 | 2,716 |
| **Total non-current liabilities** | | 11,829 | 13,958 | 3,880 |
| **Current liabilities** | | | | |
| Trade and other payables | *35* | 65,643 | 378,117 | 493,805 |
| Contract liabilities | | 1,726 | 10,456 | 9,118 |
| Borrowings | *33* | 35,900 | 55,020 | 94,950 |
| Lease liabilities | | 433 | 304 | 243 |
| **Total current liabilities** | | 103,702 | 443,897 | 598,116 |
| **Total liabilities** | | 115,531 | 457,855 | 601,996 |
| **Total equity and liabilities** | | 738,748 | 1,546,683 | 1,694,055 |

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | | Attributable to equity owners of the Company | | | | | |
|---|---|---|---|---|---|---|---|
| | *Note* | **Paid-in capital/Share capital** | **Other reserves** | **Accumulated loss** | **Total** | **Non-controlling interests** | **Total equity** |
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Balance at 1 January 2022** | | 2,235 | 574,065 | (168,747) | 407,553 | 2,997 | 410,550 |
| **Comprehensive Loss** | | | | | | | |
| Loss for the year | | – | – | (88,337) | (88,337) | (2,570) | (90,907) |
| **Transactions with owners of the Company** | | | | | | | |
| Capital contribution from shareholders | *29* | 963 | 79,037 | – | 80,000 | – | 80,000 |
| Conversion to joint stock company | *29,30* | 27,765 | (27,765) | – | – | – | – |
| Share-based payments | *32* | – | 23,183 | – | 23,183 | 434 | 23,617 |
| **Balance at 31 December 2022** | | 30,963 | 648,520 | (257,084) | 422,399 | 861 | 423,260 |
| **Balance at 1 January 2023** | | 30,963 | 648,520 | (257,084) | 422,399 | 861 | 423,260 |
| **Comprehensive Loss** | | | | | | | |
| Loss for the year | | – | – | (138,087) | (138,087) | (1,213) | (139,300) |
| | | – | – | – | – | – | – |
| **Transactions with owners of the Company** | | – | – | – | – | – | – |
| Capital contribution from shareholders | *29,30* | 4,197 | 487,754 | – | 491,951 | 21 | 491,972 |
| Share-based payments | *32* | – | 48,416 | – | 48,416 | 194 | 48,610 |
| **Balance at 31 December 2023** | | 35,160 | 1,184,690 | (395,171) | 824,679 | (137) | 824,542 |

| | | Attributable to equity owners of the Company | | | | | |
|---|---|---|---|---|---|---|---|
| | *Note* | **Paid-in capital/Share capital** | **Other reserves** | **Accumulated loss** | **Total** | **Non-controlling interests** | **Total equity** |
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **(Unaudited)** | | | | | | | |
| **Balance at 1 January 2023** | | 30,963 | 648,520 | (257,084) | 422,399 | 861 | 423,260 |
| **Comprehensive loss** | | | | | | | |
| Loss for the period | | – | – | (107,919) | (107,919) | (3,361) | (111,280) |
| **Transactions with owners of the Company** | | | | | | | |
| Capital contribution from shareholders | *29,30* | 4,180 | 485,771 | – | 489,951 | – | 489,951 |
| Share-based payments | *32* | – | 34,466 | – | 34,466 | 339 | 34,805 |
| **Balance at 30 September 2023** | | 35,143 | 1,168,757 | (365,003) | 838,897 | (2,161) | 836,736 |
| **(Unaudited)** | | | | | | | |
| **Balance at 1 January 2024** | | 35,160 | 1,184,690 | (395,171) | 824,679 | (137) | 824,542 |
| **Comprehensive loss** | | | | | | | |
| Loss for the period | | – | – | (201,165) | (201,165) | (12,510) | (213,675) |
| Other comprehensive income | | – | 5 | – | 5 | – | 5 |
| **Transactions with owners of the Company** | | | | | | | |
| Capital contribution from shareholders | *29,30* | 58 | 9,942 | – | 10,000 | 1,440 | 11,440 |
| Share-based payments | *32* | – | 70,120 | – | 70,120 | 196 | 70,316 |
| Disposal of a subsidiary | | – | – | – | – | (797) | (797) |
| **Balance at 30 September 2024** | | 35,218 | 1,264,757 | (596,336) | 703,639 | (11,808) | 691,831 |

## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Note | Year ended 31 December | | Nine months Ended 30 September | |
|---|---|---|---|---|---|
| | | 2022 | 2023 | 2023 | 2024 |
| | | *RMB'000* | *RMB'000* | *RMB'000 (Unaudited)* | *RMB'000 (Unaudited)* |
| **Cash flows from operating activities** | | | | | |
| Cash used in operations | *36(a)* | (114,151) | (314,200) | (200,778) | (163,449) |
| Interest received | | 361 | 733 | 440 | 788 |
| Income tax paid | | – | (7) | (6) | (3,148) |
| **Net cash used in operating activities** | | (113,790) | (313,474) | (200,344) | (165,809) |
| **Cash flows from investing activities** | | | | | |
| Purchases of property, plant and equipment and intangible assets | | (33,035) | (202,875) | (33,985) | (64,605) |
| Payments for investment accounted for using equity method | | – | (4,240) | (4,240) | (7,714) |
| Payments for financial assets at fair value through other comprehensive income | | (600) | – | – | – |
| Proceeds from disposal of property, plant and equipment | | 197 | 196 | 196 | 152 |
| Receipt of government grants related to assets | | – | 2,280 | – | – |
| Investment income from financial assets at fair value through profit or loss | *3.3* | 7,653 | 11,203 | 7,068 | 938 |
| Proceeds from disposal of financial assets at fair value through profit or loss | *3.3* | 950,670 | 1,402,174 | 892,174 | 311,370 |
| Investment payments for financial assets at fair value through profit or loss | *3.3* | (920,000) | (1,330,000) | (1,150,000) | (120,000) |
| **Net cash generated from/(used in) investing activities** | | 4,885 | (121,262) | (288,787) | 120,141 |
| **Cash flows from financing activities** | | | | | |
| Capital contribution from shareholders | *29,30* | 80,000 | 491,951 | 489,951 | 10,000 |
| Capital contribution from non-controlling interest | | – | 21 | – | 1,440 |
| Proceeds from bank borrowings | *36(c)* | 45,860 | 65,000 | 60,396 | 75,000 |
| Repayments of bank borrowings | *36(c)* | – | (30,900) | (40,890) | (50,010) |
| Interest paid | | (570) | (2,003) | (1,500) | (1,840) |
| Principal and interest of lease payments | *36(c)* | (2,752) | (2,767) | (2,436) | (2,255) |
| Payments for [REDACTED] expenses | | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| **Net cash generated from financing activities** | | 122,538 | 521,302 | 505,521 | 31,837 |
| **Net increase/(decrease) in cash and cash equivalents** | | 13,633 | 86,566 | 16,390 | (13,831) |
| Cash and cash equivalents at beginning of the year/period | | 24,392 | 38,025 | 38,025 | 124,591 |
| **Cash and cash equivalents at end of the year/period** | | 38,025 | 124,591 | 54,415 | 110,760 |

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

### 1 GENERAL INFORMATION

ADASPACE TECHNOLOGY CO., LTD. (成都国星宇航科技股份有限公司, the "Company", formerly known as 成都國星宇航科技有限公司) was established in Chengdu City of Sichuan Province, the People's Republic of China (the "PRC") on 3 May 2018 as a limited liability company. On 29 January 2022, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC. The address of its registered office is 1st Floor, Building 4, No. 1699 Jinhe Road, High-tech Zone, China (Sichuan) Pilot Free Trade Zone, Chengdu, Sichuan Province, the PRC.

The Company and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged in developing an integrated space-terrestrial AI infrastructure and providing products and solutions built upon such infrastructure in the PRC (the "[**REDACTED**] Business").

The Company is controlled by Beijing Xingrong Yuhang Enterprise Management Consulting Partnership (Limited Partnership) (北京星融宇航企業管理諮詢合夥企業(有限合夥)) ("Beijing Xingrong") and Beijing New Era Space Enterprise Management Consulting Partnership (Limited Partnership) (北京新時代空間企業管理諮詢合夥企業(有限合夥)) ("Beijing Xinshidai"), which are held by Dr. Lu Chuan, the founder and ultimate controlling shareholder of the Company.

The Company's subsidiaries as at 31 December 2022 and 2023, 30 September 2024, and as at the date of this report are set out in Note 13.

### 2 SUMMARY OF ACCOUNTING POLICIES

The principal accounting policies applied in the presentation of Historical Financial Information are set out below. These policies have been consistently applied throughout the year ended 31 December 2022, and 2023 and the nine months ended 30 September 2023 and 2024, unless otherwise stated.

### 2.1 Summary of material accounting policies

#### *2.1.1 Basis of preparation*

The Historical Financial Information of the Company has been prepared in accordance with International Financial Reporting Standards as issued by International Accounting Standards Board ("IFRS Accounting Standards").

The preparation of Historical Financial Information in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

The Historical Financial Information has been prepared on a historical cost conversion, as modified by revaluation of certain financial assets measured at fair value.

In preparing the Historical Financial Information, the Group has consistently adopted all applicable new and amended IFRS Accounting Standards throughout all the years/periods presented except for any new standard, amendment and interpretation to existing standards that are not yet effective.

The following new standards, amendments and interpretations to existing standards that have been issued and not yet effective and have not been early adopted by the Group during the year ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024:

| | New/amended standards | Effective date |
|---|---|---|
| Amendments to IAS 21 | Lack of Exchangeability | 1 January 2025 |
| Amendments to IFRS 9 and IFRS 7 | Amendments to the Classification and Measurement of Financial Instruments | 1 January 2026 |
| Annual Improvements to IFRS Accounting Standards | Annual Improvements to IFRS Accounting Standards — Volume 11 | 1 January 2026 |
| IFRS 18 | Presentation and Disclosure in Financial Statements | 1 January 2027 |
| IFRS 19 | Subsidiaries without Public Accountability: Disclosure | 1 January 2027 |
| Amendments to IFRS 10 and IAS 28 | Sale or contribution of assets between an investor and its associate or joint venture | To be determined |

The Group has already commenced an assessment of the impact of these new or revised standards and amendments on its results of operations and financial position. According to the preliminary assessment made by the directors, no significant impact on the financial performance and positions of the Group is expected when they become effective.

***2.1.2 Principles of consolidation and equity accounting***

*(a) Subsidiaries*

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised loss are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statements of comprehensive loss, statements of financial position and statements of changes in equity respectively.

*(b) Associates and joint ventures*

Associates and joint ventures are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates and joint ventures are accounted for using the equity method of accounting (see (c) below), after initially being recognised at cost.

*(c) Equity method*

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or loss of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of loss in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further loss, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised loss are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2.1.3.

### *2.1.3 Investments and other financial assets*

*(a) Classification*

The Group classifies its financial assets in the following measurement categories:

– those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through profit or loss), and

– those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For financial assets measured at fair value, gain and loss will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

*(b) Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

*(c) Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "Other gain/(loss) — net". Impairment loss are presented as separate line item in the statements of comprehensive loss.

- Financial assets at FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or loss, interest income and loss which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "Other gain/(loss) — net". Interest income from these financial assets is included in other income using the effective interest rate method. Impairment expenses are presented as separate line item in the statements of comprehensive loss.

- Financial assets at FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt instrument that is subsequently measured at FVPL is recognised in profit or loss and presented net within "Other gain/(loss) — net" in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gain and loss on equity investments in OCI, there is no subsequent reclassification of fair value gain and loss to profit or loss following the derecognition of the investments. Dividends from such investments continue to be recognised in "Other income" when the Group's right to receive payments is established.

Changes in the fair value of financial assets measured at FVPL are recognised in "Other gain/(loss) — net" as applicable. Impairment loss (and reversal of impairment loss) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

*(d) Impairment*

The Group assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Expected credit loss are a probability-weighted estimate of credit loss (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime loss to be recognised from initial recognition of the receivables. The provision matrix is determined based on historical observed default rates over the expected life of the trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates.

Impairment on other receivables are measured as either 12-month expected credit loss or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit loss.

***2.1.4 Current and deferred income tax***

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax loss.

*(a) Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

*(b) Deferred income tax*

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and loss.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

***2.1.5 Revenue recognition***

Revenues are recognised when or as the control of the goods or services is provided to the customer. Depending on the terms of the contract and the laws that apply to the contract, services and goods may be transferred over time or at a point in time.

Revenue is recognised when a performance obligation is satisfied by transferring control of the promised products or services to a customer in an amount that reflects the consideration expected to be collected in exchange for those products or services. The revenue recognition of the Group is determined through the following five steps:

- Identification of the contract, or contracts, with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract;
- Recognition of revenue when, or as, a performance obligation is satisfied.

At contract inception, it is performed that the assessment and the identification of a performance obligation for each promise to transfer to the customer a product or a service (or bundle of products or services) that is distinct.

To identify the performance obligations, the Group consider all the goods and services promised in the contract with the customer based on the Group's customary business practices, published policies, or specific statements.

The Group determines whether control of a product or a service is transferred to a customer over time or at a point in time based on the analysis of the following three criteria. Revenue is recognised over time if any of such criteria are met that the Group:

- Provides all of the benefits received and consumed simultaneously by the customer; or
- Creates and enhances an asset that the customer controls as the Group perform; or
- Does not create an asset with an alternative use of the Group and the Group has an enforceable right to request payment for performance completed to date.

A performance obligation is satisfied at a point in time if none of the above criteria for satisfying a performance obligation over time are met.

When either party to a contract has performed, the Group presents the contract in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the Group's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for a product or a service that the Group has transferred to a customer when that right is conditioned on something other than the passage of time. Incremental costs incurred to obtain a contact, if recoverable, are capitalized and presented as assets and subsequently amortized when the related revenue is recognised.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a product or a service to the customer, the Group presents the contract as a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer a product or a service to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The application of the Group's revenue recognition policies and a description of the principal activities, organized by segment, from which the Group generate its revenue, are presented below.

*(a) Revenue from rendering satellite-based solutions*

The Group provides satellite-based solutions to customers, which refers to customized satellite-based solutions leveraging satellite remote sensing data and AI algorithms supported by both our space- and ground-based infrastructure. A project-based integrated solutions consist of a comprehensive set of activities, such as project design, software deployment, software-embedded hardware and hardware infrastructures, implementation, installation, trial and acceptance of integrated solutions, and standard warranty services. These satellite-based solutions are provided through integrating the software, hardware infrastructures and services, all of which are highly interdependent and interrelated with each other and represent multiple inputs to a combined output that is transferred to the customer. Accordingly, the satellite-based solutions is accounted for as a single performance obligation.

Revenue is recognised at a point in time when the aforementioned satellite-based solutions are delivered to the customer's designated place, inspected and accepted by the customer.

Certain satellite-based solutions sales contracts contain provision of data services which are considered as a separate performance obligation. The stand-alone selling price for the performance obligation of the satellite-based solutions and data services are generally observable directly. The transaction price will be allocated to each performance obligation based on the standalone selling prices. The Group recognises service revenue over time in the period in which its customers simultaneously receive and consume the benefits provided by the service as specified in service contract.

*(b) Revenue from sales of satellites and rendering satellite-related services*

The Group designs, manufactures and sells customized satellites based on customers' specific requirements and specification. Revenue from the sale of satellites is recognised when control of the products has transferred, being when the satellites are accepted by the customer, when the customers have full discretion over the satellites, and there is no unfulfilled obligation that could affect the customer's acceptance of the satellites.

The Group provides satellite-related services to customer, including launching services, and operational control service. Revenue from rendering launching service is recognised when the services has been fulfilled, and rendering operational control services is recognised over time, as the customers simultaneously receive and consume the benefits provided by the service as specified in service contract. The stand-alone selling price for the performance obligation of the sales of satellites, launching services, and operational control services are generally observable directly.

*(c) Other services*

Other services primarily include rendering intelligent parking solutions and software and hardware agency services. Revenue from rendering intelligent parking solutions is recognised at a point in time when the customer obtains control of the combined promised goods or services. For the software and hardware agency services, the Group acts as an agent in the services considering the fact that the Group is only responsible for matching resources, not subject to inventory risk and has no discretion in establishing prices. Therefore, revenue from software and hardware sales agent services is measured on a net basis and the revenue is recognised when the service has been rendered.

*2.1.6 Share-based payment*

The Group operates an equity-settled share-based compensation plan, under which the Group receives service from its employees in exchange for the equity instruments of the Group. The fair value of equity-settled share-based payments for the services received from employees was measured at the grant date of the equity instruments. It was recognised as share-based payments in the profit or loss and as share-based payment reserve respectively. The total amount to be expensed is determined by reference to the fair value of the shares granted as at grant date, excluding the impacts of any service and non-market performance vesting conditions. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of equity instruments that are expected to vest based on the non-market performance and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Where there is any modification of terms and conditions which increases the fair value of the equity instruments granted, the Group includes the incremental fair value granted in the measurement of the amount recognised for the services received over the remainder of the vesting period. The incremental fair value is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. An expense based on the incremental fair value is recognised over the period from the modification date to the date when the modified equity instruments vest in addition to any amount in respect of the original instrument, which should continue to be recognised over the remainder of the original vesting period. Furthermore, if the entity modifies the terms or conditions of the equity instruments granted in a manner that reduces the total fair value of the share-based payment arrangement, or is not otherwise beneficial to the employee, the entity shall nevertheless continue to account for the services received as consideration for the equity instruments granted as if that modification had not occurred.

**2.2 Summary of other accounting policies**

*2.2.1 Segment reporting*

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision-maker ("CODM"), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors who makes strategic decisions.

*2.2.2 Separate financial statements*

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets.

*2.2.3 Government grants*

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statement of comprehensive loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the useful lives of the related assets.

***2.2.4 Interest income***

Income from financial assets at FVPL is included in investment income and the net fair value gains on these assets in Other gain/(loss) — net (Note 10).

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in the consolidated statements of comprehensive loss as "other income". Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purpose (Note 11).

***2.2.5 Leases***

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the Right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

***2.2.6 Employee benefits***

*(a) Short-term obligations*

Liabilities for wages and salaries are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated balance sheets.

*(b) Pension obligations*

Employees in the PRC are covered by various government-sponsored defined-contribution pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these pensions. Under these plans, the Group has no further payment obligation for post-retirement benefits beyond the contribution made. Contributions to these plans are expensed as incurred and contributions paid to the defined contribution pension plans for an employee are not available to reduce the Group's future obligations to such defined contribution pension plans even if the staff leaves.

*(c) Housing funds, medical insurances and other social insurances*

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

*(d) Bonus entitlements*

The expected cost of bonus payments is recognised as a liability when the Group has a present contractual or constructive obligation as a result of service rendered by employees and a reliable estimation of the obligation can be made.

*(e) Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when the Group can no longer withdraw the offer of those benefits.

***2.2.7 Property, plant and equipment***

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives or, in case of leasehold improvements, the shorter lease term, as follows:

| | Years |
|---|---|
| – Buildings | 40 years |
| – Self-owned satellites | 3 to 5 years |
| – Production equipment | 5 years |
| – Office and electronic equipment | 3 to 5 years |
| – Motor vehicles | 4 years |
| – Leasehold improvements | the shorter of the lease term or the useful life |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.2.9).

Gain and loss on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other gain/(loss) — net" in the consolidated statements of comprehensive loss.

Construction in progress represents unfinished construction and equipment under construction or pending for installation and is stated at cost less impairment loss. Cost comprises direct costs of construction including borrowing costs attributable to the construction during the period of construction. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use.

***2.2.8 Intangible assets***

*(a) Software*

Computer software are initially recognised and measured at costs incurred to acquire and bring them to use, amortised on a straight-line basis over their estimated useful lives, and recorded in amortization within operating expenses in profit or loss.

*(b) Data-use-right*

The Company is entitled to utilize the data generated from the satellites sold in exchange of the operational service to the customers pursuant to certain sales contract of satellites. The right to use the data, i.e. data-use-right, is capitalized indirectly based on the stand-alone fair value of operational service as agreed in relevant contracts and amortised on a straight-line basis over estimated useful lives of the satellites sold.

*(c) Research and development*

Research expenditures are charged to the profit or loss as an expense in the period the expenditures are incurred. Development costs are recognised as assets if they can be directly attributable to a newly developed products and all the following can be demonstrated:

- it is technically feasible to complete the development project so that it will be available for use;

- management intends to complete the development project, and use or sell it;
- the ability to use or sell the development project;
- it can be demonstrated how the development project will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and the ability to use or sell the development project are available; and
- the expenditure attributable to the asset during its development can be reliably measured.

Other development expenditures that do not meet those above criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

During the year ended 31 December 2022 and 2023 and the nine months ended 2023 and 2024, there were no development costs meeting these criteria and capitalised as intangible assets.

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

| | **Years** |
|---|---|
| – Software | 5 years |
| – Data-use-right | 3 to 5 years |

***2.2.9 Investment properties***

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group, are classified as investment property.

The Group's investment properties comprise building located in the PRC, which is measured initially at their costs, including the related transaction costs and borrowing costs, where applicable.

After initial recognition, investment property is measured at cost less accumulated depreciation and any provision for impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the properties. The investment properties is depreciated over their estimate useful lives of 40 years.

Subsequent expenditure is capitalized to the asset's carrying amount or recognised as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are expensed in the consolidated statements of comprehensive loss during the financial period in which they are incurred.

An investment property shall be derecognised on disposal or when investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gain or loss arising from the retirement or disposal of investment property shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset and shall be recognised in the consolidated statements of comprehensive loss in the period of the retirement or disposal.

***2.2.10 Impairment of non-financial assets***

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

***2.2.11 Inventory***

Inventories, comprising finished goods and work-in-progress, are stated at the lower of cost and net realizable value. Cost is determined by the weighted average method. The cost of inventory comprises raw materials, direct labor costs, other direct costs and related production overheads (based on normal operating capacity). Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

***2.2.12 Trade and other receivables***

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds trade and other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 2.1.3 and Note 3.1 for a description of the Group's impairment policies.

***2.2.13 Cash and cash equivalents***

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash in hand and deposits held at call with banks readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

***2.2.14 Trade and other payables***

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

***2.2.15 Borrowings and borrowing costs***

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are derecognized from the consolidated balance sheets when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance income.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred.

***2.2.16 Share capital***

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

***2.2.17 Provision and contingent liabilities***

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating loss.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expenses.

A contingent liability is a possible obligation that arises from past events and its existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

***2.2.18 Dividend distribution***

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

***2.2.19 Loss per share***

*(a) Basic loss per share*

Basic loss per share is calculated by dividing:

- the loss attributable to owners of the company, and
- by the weighted average number of ordinary shares outstanding during the financial year/period, adjusted for bonus elements in ordinary shares issued during the year/period and excluding treasury shares.

*(b) Diluted loss per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

## 3 FINANCIAL RISK MANAGEMENT

### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

***(a) Market risk***

*(i) Foreign exchange risk*

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the respective group entities' functional currency. The Group mainly operates in the PRC with most of the transactions settled in RMB.

As at 31 December 2022 and 2023 and 30 September 2024, the Group's major exposure to foreign currency risk was financial assets at FVPL (Note 27), structured deposits held by the Group with certain PRC commercial banks, the yield of which is linked to the euro-dollar exchange rate, and the impact of the foreign exchange risk was assessed to be insignificant.

*(ii) Cash flow and fair value interest rate risk*

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has no significant interest-bearing assets and liabilities, except for cash and cash equivalents (Note 28), restricted cash (Note 28), lease liabilities (Note 16) and borrowings (Note 33). Financial assets and liabilities at variable rates expose the Group to cash flow interest rate risk. Financial assets and liabilities at fixed rates expose the Group to fair value interest rate risk.

As at 31 December 2022, 2023 and 30 September 2024, if interest rates on cash and cash equivalents, restricted cash at banks and borrowings had been 10% higher/lower with all other variables held constant, loss after income tax for the year/period would have been approximately RMB42,000 higher/lower, RMB150,000 higher/lower, and RMB122,000 higher/lower respectively, mainly as a result of higher/lower net interest expense being incurred.

***(b) Credit risk***

Credit risk is the risk of loss that a counterparty fails to or is unwilling to meet its obligations. The Group is exposed to credit risk mainly in relation to its cash and cash equivalents, restricted cash, trade receivables and other receivables, and contract assets.

*(i) Cash and cash equivalents and restricted cash*

The Group expects that there is no significant credit risk associated with cash at bank and restricted cash at bank, since they are deposited at state-owned banks and other large or medium size listed banks.

*(ii) Trade receivables and contract assets*

The Group applies the IFRS 9 simplified approach to measuring expected credit loss which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit loss, trade receivables and contract assets have been grouped based on similar credit risk characteristics and collectively assessed to likelihood of recovery, taking into account the industries that the customer are operating in, their ageing category, past collection history and the credit risk of the customer. For trade receivables, management makes periodic assessments as well as individual assessment on the recoverability based on historical settlement records and past experience and adjusts for forward looking information. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on credit rating of debtors with similar risk profiles and were adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the gross domestic product index ("GDP"), consumer price index ("CPI"), and increase in M2 of the country in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Individually impaired trade receivables are related to customers who are experiencing unexpected economic difficulties. The Group expects that the amounts of the receivables will partially or entirely have difficulty to be recovered and has recognised impairment loss.

Trade receivables include:

- Individual basis: customers who are insolvent or in operating difficulty with a relatively higher credit risk.

- Collective basis: customers who are not in operating difficulty, comprising related parties and special customers with similar credit risk and remaining third parties.

With different types of customers, the Group calculated the expected credit loss rates respectively.

In addition, the Group makes periodic collective assessments as well as individual assessment on the recoverability based on historical settlement records and past experience.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group. Impairment loss on trade receivables are presented as net impairment loss within operating loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

(a) Individual basis

As at 31 December 2022, 2023, and 30 September 2024 the Group's trade receivables of RMB6,524,000, RMB4,577,000, RMB2,084,000 was individually determined to be impaired and the total loss allowance were RMB3,303,000, RMB2,473,000, RMB2,084,000. The Group considered these trade receivables were in collection difficulties and management assessed that these customers are unlikely to pay credit obligations to the Group in full.

(b) Collective basis

On that basis, the Group's exposure to credit risk, ECLs for trade receivables, excluding those under individual assessment as at 31 December 2022,2023, and 30 September 2024 was determined as follows:

- Trade receivables — related parties

As at 31 December 2022, 2023 and 30 September 2024, the Group's trade receivables of RMB17,604,000, RMB24,399,000 and RMB25,217,000 are from related parties, and carrying amount of such receivables are RMB18,265,000, RMB25,381,000 and RMB26,257,000 and the allowance provision of RMB661,000, RMB982,000 and RMB1,040,000, respectively.

- Trade receivables and contract assets — remaining third parties

The ECL rate for the remaining trade receivables and contract assets based on aging as at 31 December 2022 and 2023 and 30 September 2024 is determined as follows:

**As at 31 December 2022**

| | Up to 6 months | 6 to 12 months | 1 to 2 years | 2 to 3 years | Over 3 years | Total |
|---|---|---|---|---|---|---|
| Expected credit loss rate | 2.1% | 3.7% | 9.5% | – | – | 2.4% |
| Gross carrying amount (RMB'000) | 98,823 | 4,684 | 3,007 | – | – | 106,514 |
| **Loss allowance (RMB'000)** | (2,077) | (175) | (285) | – | – | (2,537) |

**As at 31 December 2023**

| | Up to 6 months | 6 to 12 months | 1 to 2 years | 2 to 3 years | Over 3 years | Total |
|---|---|---|---|---|---|---|
| Expected credit loss rate | 3.2% | 4.3% | 10.4% | 82.3% | – | 4.0% |
| Gross carrying amount (RMB'000) | 393,438 | 69,254 | 36,851 | 831 | – | 500,374 |
| **Loss allowance (RMB'000)** | (12,467) | (2,988) | (3,827) | (684) | – | (19,966) |

**(Unaudited)**
**As at 30 September 2024**

| | Up to 6 months | 6 to 12 months | 1 to 2 years | 2 to 3 years | Over 3 years | Total |
|---|---|---|---|---|---|---|
| Expected credit loss rate | 2.2% | 4.3% | 12.7% | 58.1% | 100.0% | 5.0% |
| Gross carrying amount (RMB'000) | 160,137 | 274,784 | 70,018 | 360 | 621 | 505,920 |
| **Loss allowance (RMB'000)** | (3,571) | (11,887) | (8,901) | (209) | (621) | (25,189) |

The loss allowances for trade receivables and contract assets as at 31 December 2022, 2023 and nine months ended 30 September 2023 and 2024 reconcile to the opening loss allowances as follows:

| | Year ended 31 December | | Nine months ended 30 September | |
|---|---|---|---|---|
| | 2022 | 2023 | 2023 | 2024 |
| | | | *(Unaudited)* | *(Unaudited)* |
| At the beginning of the year | 1,122 | 6,501 | 6,501 | 23,421 |
| Provision for doubtful receivables | 5,379 | 16,920 | 4,485 | 5,159 |
| Disposal of subsidiaries | – | – | – | (267) |
| At the end of the year | 6,501 | 23,421 | 10,986 | 28,313 |

*(iii) Other receivables*

Other receivables that are not credit-impaired on initial recognition are classified in stage 1 and the expected credit loss are measured as 12-month expected credit loss. If a significant increase in credit risk of other receivable has occurred since initial recognition, the financial asset is moved to 'stage 2' but is not yet deemed to be credit-impaired. The expected credit loss are measured as lifetime expected credit loss. If any financial asset is credit-impaired, it is then moved to 'stage 3' and the expected credit loss is measured as lifetime expected credit loss.

Management considers the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis during the year ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024. To assess whether there is a significant increase in credit risk, the Group compares risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition.

Other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

Impairment loss on other receivables are presented as net impairment loss within operating loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

The loss allowance as at 31 December 2022, 2023 and 30 September 2024 was determined as follows for other receivables:

**As at 31 December 2022**

| | Stage 1 12-month | Stage 2 Lifetime | Stage 3 Lifetime | Total |
|---|---|---|---|---|
| Expected credit loss rate | 9.6% | – | 100.0% | 9.7% |
| Gross carrying amount – other receivables (RMB'000) | 28,090 | – | 47 | 28,137 |
| **Loss allowance (RMB'000)** | (2,690) | – | (47) | (2,737) |

**As at 31 December 2023**

| | Stage 1 12-month | Stage 2 Lifetime | Stage 3 Lifetime | Total |
|---|---|---|---|---|
| Expected credit loss rate | 5.3% | – | 100.0% | 5.4% |
| Gross carrying amount – other receivables (RMB'000) | 120,627 | – | 214 | 120,841 |
| **Loss allowance (RMB'000)** | (6,361) | – | (214) | (6,575) |

**(Unaudited)**
**As at 30 September 2024**

| | Stage 1 12-month | Stage 2 Lifetime | Stage 3 Lifetime | Total |
|---|---|---|---|---|
| Expected credit loss rate | 5.2% | – | 100.0% | 5.4% |
| Gross carrying amount – other receivables (RMB'000) | 92,785 | – | 214 | 92,999 |
| **Loss allowance (RMB'000)** | (4,818) | – | (214) | (5,032) |

The loss allowances for other receivables as at 31 December 2022, 2023, and 30 September 2023 and 2024 reconcile to the opening loss allowances as follows:

| | Year ended 31 December | | Nine months ended 30 September | |
|---|---|---|---|---|
| | 2022 | 2023 | 2023 | 2024 |
| | | | *(Unaudited)* | *(Unaudited)* |
| At the beginning of the year | 1,281 | 2,737 | 2,737 | 6,575 |
| Provision/(reversal) for doubtful receivables | 1,456 | 3,838 | 1,778 | (1,505) |
| Disposal of subsidiaries | – | – | – | (9) |
| Written off as uncollectible | – | – | – | (29) |
| At the end of the year | 2,737 | 6,575 | 4,515 | 5,032 |

*(iv) Provision for impairment loss on financial assets*

| | Year ended 31 December | | Nine months Ended 30 September | |
|---|---|---|---|---|
| | 2022 | 2023 | 2023 | 2024 |
| | | | *(Unaudited)* | *(Unaudited)* |
| Provision/(reversal) for doubtful receivables | | | | |
| – Trade receivables and contract assets | 5,379 | 16,920 | 4,485 | 5,159 |
| – Other receivables | 1,456 | 3,838 | 1,778 | (1,505) |
| | 6,835 | 20,758 | 6,263 | 3,654 |

*(v) Maximum exposure to credit risk*

The table below shows the maximum credit risk exposure of the Group without consideration of the collateral and pledges:

| | As at 31 December | | As at 30 September |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| *Financial assets at amortised costs and contract assets:* | | | |
| – Cash and cash equivalents *(Note 28(a))* | 38,025 | 124,591 | 110,760 |
| – Restricted cash *(Note 28(a))* | – | 20,051 | 29,418 |
| – Trade receivables *(Note 23)* | 128,749 | 500,860 | 500,188 |
| – Other receivables *(Note 24)* | 25,400 | 114,266 | 87,967 |
| – Contract assets *(Note 6.2)* | 1,053 | 6,051 | 5,760 |
| | 193,227 | 765,819 | 734,093 |
| *Financial assets at fair value:* | | | |
| – Financial assets at FVOCI *(Note 26)* | 3,600 | 3,600 | 3,600 |
| – Financial assets at FVPL *(Note 27)* | 262,174 | 191,370 | – |
| | 265,774 | 194,970 | 3,600 |

The amount of the credit risk exposures set out above are same as the carrying amounts as at 31 December 2022, 2023 and 30 September 2024.

***(c) Liquidity risk***

The Group's management regularly monitors current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding to meet its liquidity requirements in the short and long term.

The table below analyses the Group's financial liabilities into relevant maturity grouping based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

| Contractual maturities of financial Liabilities | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Total |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **As at 31 December 2022** | | | | | |
| Trade and other payables* | 61,877 | – | – | – | 61,877 |
| Lease liabilities | 3,162 | 1,335 | 260 | – | 4,757 |
| Borrowings | 36,874 | 404 | 10,008 | – | 47,286 |
| | 101,913 | 1,739 | 10,268 | – | 113,920 |
| **As at 31 December 2023** | | | | | |
| Trade and other payables* | 467,664 | – | – | – | 467,664 |
| Lease liabilities | 3,925 | 1,882 | 3,262 | – | 9,069 |
| Borrowings | 66,489 | 10,008 | – | – | 76,497 |
| | 538,078 | 11,890 | 3,262 | – | 553,230 |
| **(Unaudited)** | | | | | |
| **As at 30 September 2024** | | | | | |
| Trade and other payables* | 488,285 | – | – | – | 488,285 |
| Lease liabilities | 4,444 | 2,745 | 5,458 | – | 12,647 |
| Borrowings | 101,787 | – | – | – | 101,787 |
| | 594,516 | 2,745 | 5,458 | – | 602,719 |

* Trade and other payables (excluding staff salaries and welfare payables, accrual taxes other than income tax and others)

**3.2 Capital management**

The Group's objectives when managing capital are to:

The Group also monitors capital on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as lease liabilities, borrowings less cash and cash equivalents. Total capital is calculated as "Total equity", as shown in the consolidated statements of financial position plus net debt.

The Group monitors capital by regularly reviewing the capital structure. As a part of this review, the directors of the Company consider the cost of capital and the risks associated with the issued share capital. The Group may adjust the amount of dividends paid to owners, return capital to owners, issue new shares or repurchase the Company's shares. In the opinion of the directors of the Company, the Group's capital risk is low.

As at December 31, 2022, 2023 and 30 September 2024, the gearing ratio was as follows:

| | As at 31 December | | As at 30 September |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | | | (Unaudited) |
| Borrowings | 45,860 | 74,960 | 99,950 |
| Add: lease liabilities | 4,572 | 8,488 | 11,742 |
| Less: Cash and cash equivalents | (38,025) | (124,591) | (110,760) |
| Less: Restricted cash | – | (20,051) | (29,418) |
| Net debt | 12,407 | (61,194) | (28,486) |
| Total capital | 435,667 | 763,348 | 663,345 |
| Gearing ratio | 2.8% | NA | NA |

As at 31 December 2023 and 30 September 2024, the gearing ratio is not applicable due to net cash position.

### 3.3 Fair value estimation

#### *(a) Fair value hierarchy*

This section explains the judgments and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

- Level 1: The fair value of financial instruments traded in active markets is based on quoted market at each of the reporting dates. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

- Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The carrying amounts of the Group's financial assets include cash and cash equivalents, restricted cash, trade receivables, other receivables and other current assets (excluding non-financial assets), and financial liabilities including trade and other payables (excluding non-financial liabilities), borrowings and lease liabilities. Their carrying values approximate their fair values due to their short maturities and interest bearing at market value.

As at 31 December 2022, 2023 and 30 September 2024, none of the Group's financial assets are measured at fair value using level 1 and level 2 inputs.

During the year ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

***(b) Fair value measurements using significant unobservable inputs (level 3)***

The following table presents the changes in level 3 items including structured deposits and unlisted equity investments for the years ended 31 December 2022, 2023 and nine months ended 30 September 2023 and 2024.

| | Structured deposits | Unlisted equity investments |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| **As at 1 January 2022** | 290,670 | 3,000 |
| Additions | 920,000 | 600 |
| Disposal | (958,323) | – |
| Investment income *(Note 10)* | 7,653 | – |
| Fair value change recognised in profit or loss under "Other gain/(loss) – net" *(Note 10)* | 2,174 | – |
| **As at 31 December 2022** | 262,174 | 3,600 |
| **As at 1 January 2023** | 262,174 | 3,600 |
| Additions | 1,330,000 | – |
| Disposal | (1,413,377) | – |
| Investment income *(Note 10)* | 11,203 | – |
| Fair value change recognised in profit or loss under "Other gain/(loss) – net" *(Note 10)* | 1,370 | – |
| **As at 31 December 2023** | 191,370 | 3,600 |
| **(Unaudited)** | | |
| **As at 1 January 2023** | 262,174 | 3,600 |
| Additions | 1,150,000 | – |
| Disposal | (899,242) | – |
| Investment income *(Note 10)* | 7,068 | – |
| Fair value change recognised in profit or loss under "Other gain/(loss) – net" *(Note 10)* | 2,412 | – |
| **As at 30 September 2023 (Unaudited)** | 522,412 | 3,600 |
| **(Unaudited)** | | |
| **As at 1 January 2024** | 191,370 | 3,600 |
| Additions | 120,000 | – |
| Disposal | (312,308) | – |
| Investment income *(Note 10)* | 938 | – |
| Fair value change recognised in profit or loss under "Other gain/(loss) – net" *(Note 10)* | – | – |
| **As at 30 September 2024 (Unaudited)** | – | 3,600 |

(i) Structured deposits are deposited by the Group with certain PRC commercial banks, the yield of which is linked to the euro-dollar exchange rate. The Group uses discounted cash flow model with expected rate of return, which was influenced by fluctuation of exchange rate to evaluate the fair value of the structured deposits classified as Level 3 financial assets.

(ii) Details of the unlisted equity investment are set out in Note 26.

***(c) Valuation techniques and significant inputs used to determine fair values and valuation processes***

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

| Description | Fair value | | | Significant unobservable inputs | Range of inputs | | | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|---|---|---|---|
| | As at 31 December | | As at 30 September | | As at 31 December | | As at 30 September | |
| | 2022 | 2023 | 2024 | | 2022 | 2023 | 2024 | |
| | *RMB'000* | *RMB'000* | *RMB'000* | | | | | |
| Structured deposits | 262,174 | 191,370 | – | Expected rate of return | 1.54%~ 3.05% | 1.66%~ 2.90% | – | The higher the expected rate of return, the higher the fair value |

The Group has a team that manages the valuation exercise of level 3 instruments for financial reporting purposes. The team manages the valuation exercise of the financial instruments on a case-by-case basis. At least once every year, the team would use valuation techniques to determine the fair value of the Group's level 3 instruments. External valuation experts will be involved when necessary.

Specific valuation techniques used to value financial instruments include:

- For structured deposits — the use of the expected rate of return for approximation for cash flow assessment in evaluating the fair values of the structured deposits.

The Company performed sensitivity the analysis on expected rate of return for the years ended 31 December 2022 and 2023, and the nine months ended 30 September 2023 and 2024. If the expected rate of return had decreased or increased by 10% with all other variables held constant, the fair value of structured deposits would have been decreased or increased by approximately RMB217,000, RMB137,000 and Nil as at 31 December 2022, 2023 and 30 September 2024.

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

### (a) Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for trade receivables and other receivables, is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (the likelihood of customers defaulting and the resulting loss). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 3.1 (b) Credit risk.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- *Determining criteria for significant increase in credit risk;*
- *Choosing appropriate models and assumption for the measurement of ECL;*
- *Establishing the number and relative weightings of forward-looking scenarios for each type of product and associated ECL; and*
- *Establishing groups of similar financial assets for the purpose of measuring ECL.*

Detailed information about the judgements and estimates made by the Group in the above areas is set out in Note 3.1 (b) Credit risk.

**(b) Revenue recognition — principal versus agent considerations**

Determining whether the Group is acting as a principal or as an agent in the provision of certain services to its customers requires judgement and consideration of all relevant facts and circumstances. In evaluation of the Group's role as a principal or an agent, the Group considers, individually or in combination, whether the Group (i) controls the specified good or service before it is transferred to the customer, (ii) is primarily responsible for fulfilling the contract, (iii) is subject to inventory risk, and (iv) has discretion in establishing prices.

**(c) Useful lives and residual values of self-owned satellites**

In determining the useful life and residual value of self-owned satellites, the Group has to consider various factors, such as commercial obsolescence arising from changes in the anticipated technological evolution, the market demand, expected usage of the asset, or other environmental changes. The estimation is based on the experience of the Group with similar assets that are used in similar way. If technological changes were to occur more rapidly than anticipated or in a different form than anticipated, the useful lives assigned to these satellites may need to be shortened, resulting in the recognition of increased depreciation in a future period. Similarly, if the actual useful lives of satellites are longer than the Group has estimated, the lengthened useful lives would result in a smaller depreciation expense. Adjustment of depreciation is made if the estimated useful lives and/or the residual values of self-owned satellites are different from the previous estimation. Useful lives and residual values are reviewed at each financial year end based on the changes in circumstances, which may impact depreciation charges in the future periods.

**(d) Current and deferred income taxes**

The Group is subject to corporate income taxes in the PRC. Judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax loss are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax loss can be utilised. The outcome of their actual utilisation may be different.

**5 SEGMENT INFORMATION**

The Group's business activities, for which discrete financial information is available, are regularly reviewed and evaluated by the CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that make strategic decisions.

The Group's CODM reviews consolidated results when making strategic decisions about allocating resources and assessing performance of the Group as a whole and hence, the Group has only one reportable operating segment.

The major operating entities of the Group are domiciled in the PRC. Accordingly, all the Group's results were derived in the PRC and all the operating assets of the Group are located in the PRC during the years ended 31 December 2022,2023 and the nine months ended 30 September 2023 and 2024.

## 6 REVENUE

Revenue mainly comprises of proceeds from providing services and sales of products. An analysis of the Group's revenue by category for the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024, is as follows:

### 6.1 Disaggregation of revenue from contracts with customers

| | Year ended 31 December | | Nine months ended 30 September | |
|---|---|---|---|---|
| | 2022 | 2023 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* *(Unaudited)* | *RMB'000* *(Unaudited)* |
| Rendering satellite-based solutions | 102,947 | 460,328 | 82,260 | 193,370 |
| Sales of satellites and rendering satellite related services | 52,318 | 3,221 | 425 | 27,262 |
| Other services | 22,156 | 43,992 | 23,236 | 16,647 |
| | 177,421 | 507,541 | 105,921 | 237,279 |

| | Year ended 31 December | | Nine months ended 30 September | |
|---|---|---|---|---|
| | 2022 | 2023 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* *(Unaudited)* | *RMB'000* *(Unaudited)* |
| Timing of revenue recognition | | | | |
| – At a point in time | 177,185 | 504,452 | 103,049 | 231,059 |
| – Over time | 236 | 3,089 | 2,872 | 6,220 |

Revenue from customers contributing over 10% of the Group's total revenue is as follows:

| | Year ended 31 December | | Nine months ended 30 September | |
|---|---|---|---|---|
| | 2022 | 2023 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* *(Unaudited)* | *RMB'000* *(Unaudited)* |
| Customer A | – | 109,087 | – | – |
| Customer B | – | 66,745 | – | – |
| Customer C | 87,259 | * | 34,565 | * |
| Customer D | – | * | 14,814 | – |
| Customer E | – | – | – | 173,315 |
| | 87,259 | 175,832 | 49,379 | 173,315 |

* The revenue generated from the customer was less than 10% of the total revenue of the Group for the relevant year/period.

### 6.2 Contract Assets

The group has recognised the following assets related to contracts with customers:

| | As at 31 December | | As at 30 September |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* *(Unaudited)* |
| Non-current contract assets relating to quality guarantee | – | 4,758 | 4,758 |
| Current contract assets relating to quality guarantee | 1,074 | 1,575 | 1,319 |
| | 1,074 | 6,332 | 6,078 |
| Loss allowance *(Note 3.1(b))* | (21) | (282) | (317) |
| Total contract assets | 1,053 | 6,051 | 5,760 |

Contract assets are generally the final payments of revenue contracts which are due at the end of the quality guarantee period. Contract assets are recorded as the Group has the right on these amounts of consideration conditioned on something other than the passage of time when the revenue is recognised. The contract assets are transferred to trade receivables when the rights become unconditional.

### 6.3 Contract liabilities

The Group has recognised the following liabilities related to contracts with customers:

| | As at 31 December | | As at 30 September |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* *(Unaudited)* |
| Rendering satellite-based solutions | 1,200 | 5,331 | 10,272 |
| Sales of satellites and rendering satellite related services | 1,651 | 19,539 | 32,720 |
| Other services | 1,767 | 18,832 | 4,293 |
| | 4,618 | 43,702 | 47,285 |
| Less: non-current portion | (1,085) | (519) | (542) |
| Current portion | 3,533 | 43,183 | 46,743 |

Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying goods or services are yet to be provided.

***(i) Revenue recognised in relation to contract liabilities***

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

| | Year ended 31 December | | As at 30 September | |
|---|---|---|---|---|
| | 2022 | 2023 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* *(Unaudited)* | *RMB'000* *(Unaudited)* |
| Revenue recognised that was included in the balance of contract liabilities at the beginning of the year | | | | |
| Rendering satellite-based solutions | 1,885 | 1,050 | 257 | 1,283 |
| Sales of satellites and rendering satellite related services | 47 | 566 | 425 | 8,898 |
| Other services | 1,656 | 1,767 | 1,767 | 14,538 |
| | 3,588 | 3,383 | 2,449 | 24,719 |

### *(ii) Transaction price allocated to unsatisfied long-term performance obligations*

Transaction price allocated to the unsatisfied long-term performance obligations is as follows:

| | Year ended 31 December | | As at 30 September | |
|---|---|---|---|---|
| | 2022 | 2023 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000 (Unaudited)* | *RMB'000 (Unaudited)* |
| Aggregate amount of transaction price allocated to contracts that are partially or fully unsatisfied | | | | |
| Sales of satellites and rendering satellite related services | 1,651 | 1,085 | 1,226 | 1,296 |

The above remaining performance obligations are mainly related to satellite operational control service. Management expects that the unsatisfied obligations of RMB566,000, RMB566,000, RMB754,000 as at 31 December 2022, 2023 and nine months ended 30 September 2024 will be recognised as revenue within next one year. The remaining will be recognised in one to three years.

## 7 EXPENSES BY NATURE

The detailed analysis of cost of sales, selling and marketing expenses, general and administrative expenses and research and development expenses is as follow:

| | Year ended 31 December | | Nine months ended 30 September | |
|---|---|---|---|---|
| | 2022 | 2023 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000 (Unaudited)* | *RMB'000 (Unaudited)* |
| Raw materials and purchased goods consumed | 90,246 | 420,703 | 81,535 | 138,687 |
| Employee benefit expenses *(Note 8)* | 113,346 | 158,650 | 101,162 | 154,495 |
| Satellite materials consumed | 21,484 | 2,290 | – | 13,442 |
| Satellite launching cost | 9,990 | – | – | 8,741 |
| Depreciation charges of property, plant and equipment *(Note 15)* | 10,531 | 13,588 | 8,711 | 19,934 |
| Marketing expenses | 3,481 | 2,072 | 1,699 | 4,826 |
| Entertainment expenses | 6,590 | 8,891 | 6,842 | 3,242 |
| Consulting fees | 2,822 | 5,215 | 4,528 | 3,739 |
| Travelling expenses | 3,412 | 8,722 | 5,973 | 6,156 |
| Utilities and office expenses | 4,952 | 7,187 | 5,658 | 4,904 |
| Outsourced research and development expenses | 8,097 | 15,728 | 3,849 | 46,887 |
| Expenses relating to short-term leases and low-value leases *(Note 16)* | 1,864 | 5,067 | 1,987 | 2,003 |
| Depreciation charge of right-of-use assets *(Note 16)* | 3,380 | 3,525 | 2,440 | 3,923 |
| Outsourced labour costs | 784 | 4,264 | 2,836 | 3,733 |
| Amortisation of intangible assets *(Note 18)* | 989 | 2,785 | 1,901 | 2,974 |
| Taxes and surcharges | 128 | 452 | 160 | 437 |
| Auditors' remuneration | 366 | 120 | 100 | 184 |
| [**REDACTED**] expenses | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Onerous Contract | – | 1,835 | 1,835 | (1,835) |
| Miscellaneous | 2,447 | 2,070 | 3,479 | 4,771 |
| | 284,909 | 663,164 | 234,695 | 431,836 |

## 8 EMPLOYEE BENEFIT EXPENSES

| | Year ended 31 December | | Nine months ended 30 September | |
|---|---|---|---|---|
| | 2022 | 2023 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* *(Unaudited)* | *RMB'000* *(Unaudited)* |
| Wages, salaries and bonus | 83,926 | 102,318 | 60,842 | 75,886 |
| Pension costs, housing funds, medical insurances and other social insurances *(a)* | 5,803 | 7,722 | 5,515 | 8,293 |
| Share-based payments for employees *(Note 32)* | 23,617 | 48,610 | 34,805 | 70,316 |
| | 113,346 | 158,650 | 101,162 | 154,495 |

### (a) Employee social security plans, housing funds, medical insurances and other social insurances obligations

The Group has defined contribution pension plans. In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the governments.

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year.

These contributions are paid to the respective labour and social welfare authorities and are expensed as incurred.

### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include 1, 1, 1 and 1 director for the years ended 31 December 2022, 2023 and the nine months ended 30 September 2023 and 2024, respectively, and their emoluments are reflected in the analysis shown in Note 8(c). The emoluments payable to the remaining individuals for the years ended 31 December 2022, 2023 and nine months ended 30 September 2023 and 2024 are as follows:

| | Year ended 31 December | | Nine months ended 30 September | |
|---|---|---|---|---|
| | 2022 | 2023 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* *(Unaudited)* | *RMB'000* *(Unaudited)* |
| Wages, salaries and bonus | 2,911 | 2,137 | 1,511 | 1,573 |
| Pension costs, housing funds, medical insurances and other social insurances | 91 | 76 | 69 | 58 |
| Share-based payments for employees | 8,638 | 38,060 | 26,396 | 60,920 |
| | 11,640 | 40,273 | 27,976 | 62,551 |

**The emoluments fell within the following bands:**

| | Year ended 31 December | | Nine months ended 30 September | |
|---|---|---|---|---|
| | 2022 | 2023 | 2023 | 2024 |
| | | | *(Unaudited)* | *(Unaudited)* |
| HKD1 to HKD1,000,000 | 1 | – | 1 | – |
| HKD1,000,001 to HKD1,500,000 | 1 | – | 2 | – |
| HKD1,500,001 to HKD2,000,000 | – | – | – | 1 |
| HKD2,000,001 to HKD2,500,000 | – | 2 | – | – |
| HKD2,500,001 to HKD3,000,000 | 1 | – | – | – |
| HKD3,000,001 to HKD3,500,000 | – | 1 | – | – |
| HKD3,500,001 to HKD4,000,000 | – | – | – | 1 |
| HKD6,000,001 to HKD6,500,000 | 1 | – | – | – |
| HKD20,000,001 to HKD25,500,000 | – | – | 1 | 1 |
| HKD30,000,001 to HKD35,500,000 | – | 1 | – | 1 |
| | 4 | 4 | 4 | 4 |

*(c)* ***Directors' emoluments***

The remuneration of each director and chief executive, including their role as senior management or employees before their appointment as directors respectively, for the years ended 31 December 2022, 2023 and the nine months ended 30 September 2023 and 2024 respectively is set out below:

| For the year ended 31 December 2022 | Fees | Salaries and bonus | Social security costs, housing benefits and employee welfare | Share based payment | Total |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* *(Note 32)* | *RMB'000* |
| **Executive Directors** | | | | | |
| Dr. Lu Chuan *(i)* | – | 1,492 | 45 | 12,074 | 13,611 |
| Dr. Wang Lei *(ii)* | – | 738 | 28 | – | 766 |
| Dr. Zhao Hongjie *(iii)* | – | 653 | 88 | – | 741 |
| Mr. Huang Ruoliang *(iv)* | – | 585 | 28 | – | 613 |
| Mr. Yan Jingyu *(v)* | – | – | – | – | – |
| Mr. Wang Long *(vi)* | – | 39 | 3 | – | 42 |
| Mr. Zou Bicheng *(vii)* | – | – | – | – | – |
| Mr. Guo Yong *(x)* | – | 1,138 | 28 | – | 1,166 |
| **Non-executive directors** | | | | | |
| Mr. Shi Fei (viii) | – | – | – | – | – |
| Ms. Qiu Hui (ix) | – | – | – | – | – |
| | – | 4,645 | 220 | 12,074 | 16,939 |

| For the year ended 31 December 2023 | Fees | Salaries and bonus | Social security costs, housing benefits and employee welfare | Share based payment | Total |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Executive Directors** | | | | | |
| Dr. Lu Chuan *(i)* | – | 1,875 | 45 | 8,254 | 10,174 |
| Dr. Wang Lei *(ii)* | – | 859 | 30 | – | 889 |
| Dr. Zhao Hongjie *(iii)* | – | 627 | 82 | – | 709 |
| Mr. Huang Ruoliang *(iv)* | – | 620 | 29 | – | 649 |
| Mr. Yan Jingyu *(v)* | – | – | – | – | – |
| Mr. Guo Yong *(x)* | – | 881 | 30 | – | 911 |
| **Non-executive directors** | | | | | |
| Mr. Shi Fei *(viii)* | – | – | – | – | – |
| Ms. Qiu Hui *(ix)* | – | – | – | – | – |
| Ms. Wang Xin *(xi)* | – | – | – | – | – |
| | – | 4,862 | 216 | 8,254 | 13,332 |

| For the nine months ended 30 September 2023 | Fees | Salaries and bonus | Social security costs, housing benefits and employee welfare | Share based payment | Total |
|---|---|---|---|---|---|
| *(Unaudited)* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Executive Directors** | | | | | |
| Dr. Lu Chuan *(i)* | – | 453 | 35 | 5,608 | 6,096 |
| Dr. Wang Lei *(ii)* | – | 573 | 22 | – | 595 |
| Dr. Zhao Hongjie *(iii)* | – | 460 | 63 | – | 523 |
| Mr. Huang Ruoliang *(iv)* | – | 386 | 22 | – | 408 |
| Mr. Yan Jingyu *(v)* | – | – | – | – | – |
| Mr. Guo Yong *(x)* | – | 537 | 22 | – | 559 |
| **Non-executive directors** | | | | | |
| Mr. Shi Fei *(viii)* | – | – | – | – | – |
| Ms. Qiu Hui *(ix)* | – | – | – | – | – |
| Ms. Wang Xin *(xi)* | – | – | – | – | – |
| | – | 2,409 | 164 | 5,608 | 8,181 |

| For the nine months ended 30 September 2024 | Fees | Salaries and bonus | Social security costs, housing benefits and employee welfare | Share based payment | Total |
|---|---|---|---|---|---|
| *(Unaudited)* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Executive Directors** | | | | | |
| Dr. Lu Chuan *(i)* | – | 182 | 35 | 8,429 | 8,646 |
| Dr. Wang Lei *(ii)* | – | 700 | 30 | – | 730 |
| Dr. Zhao Hongjie *(iii)* | – | 367 | 60 | – | 427 |
| Mr. Huang Ruoliang *(iv)* | – | 355 | 23 | – | 378 |
| Mr. Yan Jingyu *(v)* | – | 388 | – | – | 388 |
| Mr. Guo Yong *(x)* | – | 280 | 23 | – | 303 |
| **Non-executive directors** | | | | | |
| Mr. Shi Fei *(viii)* | – | – | – | – | – |
| Ms. Qiu Hui *(ix)* | – | – | – | – | – |
| Ms. Wang Xin *(xi)* | – | – | – | – | – |
| | – | 2,272 | 171 | 8,429 | 10,872 |

(i) Dr. Lu Chuan was appointed and served as the chairman and executive director of the Company in June 2018.

(ii) Dr. Wang Lei was appointed as the executive director and chief executive officer of the Company in June 2018.

(iii) Dr. Zhao Hongjie was appointed as the executive director and executive vice president of the Company in May 2018.

(iv) Mr. Huang Ruoliang was appointed as the executive director and chief administrative officer of the Company in August 2019.

(v) Mr. Yan Jingyu was appointed as the executive director of the Company in June 2018.

(vi) Mr. Wang Long was appointed and served as the executive director of the Company from June 2018 to January 2022.

(vii) Mr. Zou Bicheng was appointed and served as the executive director of the Company from June 2018 to January 2022.

(viii) Mr. Shi Fei was appointed as the non-executive director of the Company in February 2019.

(ix) Ms. Qiu Hui was appointed as the non-executive director of the Company in May 2021.

(x) Mr. Guo Yong was appointed as the executive director and senior vice president of the Company in January 2022.

(xi) Ms. Wang Xin was appointed as the non-executive director of the Company in January 2023.

**(d) Directors' retirement and termination benefits**

No retirement or termination benefits have been paid to the Company's directors for the years ended 31 December 2022, 2023 and the nine months ended 30 September 2023 and 2024.

**(e) Consideration provided to third parties for making available directors' services**

No consideration provided to third parties for making available directors' services subsisted at the end of the year or at any time for the years ended 31 December 2022, 2023 and the nine months ended 30 September 2023 and 2024.

**(f) Information about loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors**

There were no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors during the year ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024.

**(g) Directors' material interests in transactions, arrangements or contract**

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted for the years ended 31 December 2022, 2023 and nine months ended 30 September 2023 and 2024.

## 9 OTHER INCOME

| | Year ended 31 December | | Nine months ended 30 September | |
|---|---|---|---|---|
| | **2022** | **2023** | **2023** | **2024** |
| | *RMB'000* | *RMB'000* | *RMB'000* *(Unaudited)* | *RMB'000* *(Unaudited)* |
| Government grants | 13,097 | 25,503 | 15,455 | 2,770 |
| Additional deduction of input VAT | 1,092 | 1,522 | 677 | – |
| | 14,189 | 27,025 | 16,132 | 2,770 |

## 10 OTHER GAIN/(LOSS) – NET

| | Year ended 31 December | | Nine months ended 30 September | |
|---|---|---|---|---|
| | 2022 | 2023 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000 (Unaudited)* | *RMB'000 (Unaudited)* |
| Investment income from financial assets at FVPL | 7,653 | 11,203 | 7,068 | 938 |
| Net fair value gains of financial assets at FVPL | 2,174 | 1,370 | 2,412 | – |
| Gain on early termination of right-of-use assets | 23 | 26 | 26 | – |
| (Losses)/gain on disposal of property, plant and equipment | (72) | 98 | 98 | (16,476) |
| Others | (130) | (297) | (239) | (478) |
| | 9,648 | 12,400 | 9,365 | (16,016) |

## 11 FINANCE COSTS – NET

| | Year ended 31 December | | Nine months ended 30 September | |
|---|---|---|---|---|
| | 2022 | 2023 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000 (Unaudited)* | *RMB'000 (Unaudited)* |
| Finance income: | | | | |
| – Interest income derived from bank deposits | 361 | 733 | 440 | 788 |
| Finance costs: | | | | |
| – Interest expense on bank borrowings | (570) | (2,003) | (1,500) | (1,840) |
| – Interest expense on lease liabilities | (206) | (238) | (156) | (342) |
| Finance costs – net | (415) | (1,508) | (1,216) | (1,394) |

## 12 TAXATION

### (a) Income tax

Income tax provision of the Group in respect of operations in mainland China and Hong Kong has been calculated at the applicable tax rate on the estimated assessable profits for the year/period, based on the existing legislation, interpretations and practices in respect thereof. The general corporate income tax rate in the PRC is 25% and the general corporate income tax rate in Hong Kong is 16.5%.

During the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024, the Company and certain subsidiaries of the Group in the PRC were qualified as "High and New Technology Enterprises ("HNTE")" under the relevant PRC laws and regulations and were subject to a preferential income tax rate of 15% and certain subsidiaries that qualified as "small low-profit enterprises" under the Enterprise Income Tax Law of the PRC enjoyed a preferential income tax rate of 20%.

| | Year ended 31 December | | Nine months ended 30 September | |
|---|---|---|---|---|
| | 2022 | 2023 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000 (Unaudited)* | *RMB'000 (Unaudited)* |
| Current income tax | 6 | 126 | 2 | 1 |
| Deferred income tax *(Note 20)* | – | – | – | – |
| Income tax expense/(credit) | 6 | 126 | 2 | 1 |

The reconciliation from income tax calculated based on the applicable tax rates and total loss presented in the consolidated financial statements to the income tax credit is set out as below:

| | Year ended 31 December | | Nine months ended 30 September | |
|---|---|---|---|---|
| | 2022 | 2023 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* *(Unaudited)* | *RMB'000* *(Unaudited)* |
| Loss before income tax | (90,901) | (139,174) | (112,278) | (213,674) |
| Tax calculated at applicable corporate income tax rate | (22,725) | (34,793) | (27,820) | (53,305) |
| Tax effect of: | | | | |
| Effects of preferential tax rates | 7,336 | 11,879 | 9,778 | 18,799 |
| Additional research and development deductible expenses | (7,067) | (7,085) | (2,695) | (1,862) |
| Expenses not deductible for taxation purpose | 2,340 | 7,433 | 3,661 | 9,962 |
| Temporary differences and tax loss for which no deferred income tax asset was recognised | 20,185 | 22,769 | 17,078 | 28,153 |
| Previously unrecognised tax loss now recouped to reduce taxable income | (63) | (77) | – | (1,746) |
| Income tax expense | 6 | 126 | 2 | 1 |

**(b) Tax loss**

As at 31 December 2022, 2023 and 30 September 2024, the Group had unused tax loss of approximately RMB210,418,000, RMB323,588,000 and RMB475,123,000 that can be carried forward against future taxable income, respectively. No deferred income tax asset has been recognised in respect of such tax loss due to the unpredictability of future taxable income.

The Group principally conducted its business in PRC, where the accumulated tax loss will normally expire within 5 years. Pursuant to the relevant regulations on extension for expirations of unused tax loss of HNTE issued in August 2018, the accumulated tax loss of the Company and certain subsidiaries qualified as HNTE will expire within 10 years.

The expiry calendar years of the related tax loss are as follow:

| | As at 31 December | | As at 30 September |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **Expiry year:** | | | |
| 2024 | 3,126 | 3,126 | 3,126 |
| 2025 | 5,103 | 5,103 | 5,103 |
| 2026 | 35,574 | 34,026 | 27,965 |
| 2027 | 36,455 | 36,455 | 33,781 |
| 2028 | – | 38,336 | 38,336 |
| 2029 and after | 127,308 | 206,542 | 366,936 |
| | 207,566 | 323,588 | 475,247 |

## 13 SUBSIDIARIES

### (a) Particulars of the subsidiaries

| Company name | Place and date of incorporation | Registered capital/ Paid capital | Attributable equity interest of the Group — As at 31 December 2022 | As at 31 December 2023 | As at 30 September 2024 | As at the date of this report | Principal activities | *Note* |
|---|---|---|---|---|---|---|---|---|
| **Directly held:** | | | | | | | | |
| Beijing Guoxing Yuhang Technology Co. Ltd (北京國星宇航科技有限公司) . . . . . . . . | PRC, 11 Apr 2018 | RMB1,000,000 | 100% | 100% | 100% | 100% | Integrated satellite technology application system | |
| Guanghan Xingshidai Aerospace Technology Co. Ltd (廣漢星時代宇航科技有限公司) . . . . . . . . | PRC, 5 Aug 2019 | RMB5,000,000 | 60% | 60% | 60% | 60% | Integrated satellite technology application system | |
| Zhongxin Shuzi Technology (Chengdu) Co. Ltd (中新數字科技(四川)有限公司) . . . . . . . . | PRC, 28 Jun 2020 | RMB30,000,000 | 51% | 51% | N/A | N/A | Integrated satellite technology application system | *(ii)* |
| Shenzhen Xingshidai Aerospace Technology Co. Ltd 深圳星時代宇航科技有限公司 . . . . . . . . | PRC, 22 Jan 2021 | RMB10,000,000 | 100% | 100% | 100% | 100% | Integrated satellite technology application system | |
| Haikou Guoxing Yuhang Technology Co. Ltd (海口國星宇航科技有限公司) . | PRC, 25 Jun 2021 | RMB1,000,000 | 100% | 100% | 100% | N/A | Integrated satellite technology application system | *(iii)* |
| Guangdong Guoxing Yuhang Technology Co. Ltd (廣東國星宇航科技有限公司) . . . . . . . . | PRC, 18 Aug 2021 | RMB10,000,000 | 100% | 100% | 100% | 100% | Integrated satellite technology application system | |
| Nnanchang Guoxing Yuhang Technology Co. Ltd 南昌國星宇航科技有限公司 . . . . . . . . | PRC, 7 Dec 2021 | RMB1,000,000 | 100% | 100% | 100% | N/A | Integrated satellite technology application system | *(iii)* |
| Chengdu Guoxing Zhineng Aerospace Technology Co. Ltd (成都國星智能宇航科技有限公司) . . . . . . . | PRC, 26 Jan 2022 | RMB10,000,000 | 100% | 100% | 100% | 100% | Integrated satellite technology application system | |

| Company name | Place and date of incorporation | Registered capital/ Paid capital | Attributable equity interest of the Group | | | As at the date of this report | Principal activities | *Note* |
|---|---|---|---|---|---|---|---|---|
| | | | As at 31 December | | As at 30 September | | | |
| | | | 2022 | 2023 | 2024 | | | |
| Jiaxing Guoxing Zhihui Technology Co. Ltd (嘉興市國星智慧科技有限公司) . . . . . . . . | PRC, 2 Dec 2022 | RMB1,000,000 | 100% | 100% | 100% | 100% | Integrated satellite technology application system | |
| Shenzhen Guoxing Kongtian Technology Co., Ltd (深圳國星空天科技有限公司) . | PRC, 2 Feb 2023 | RMB100,000,000 | N/A | 100% | 100% | 100% | Integrated satellite technology application system | |
| Shanghai Guoxing Zhilian Aerospace Technology Co. Ltd (上海國星智聯航天科技有限公司) . . . . . . . . | PRC, 7 Mar 2024 | RMB10,000,000 | N/A | N/A | 100% | 100% | Integrated satellite technology application system | |
| Chengdu Guoxing Yuhang Wenhua Fazhan Co. Ltd (成都國星宇航文化發展有限公司) . | PRC, 10 Apr 2024 | RMB2,000,000 | N/A | N/A | 60% | 60% | Advertising and information consultation | |
| Chengdu Guoxing Kongjian Technology Co., Ltd (成都國星空間科技有限公司) . . . . . . . . | PRC, 27 Aug 2024 | RMB10,000,00 | N/A | N/A | 95% | 95% | Integrated satellite technology application system | |
| **Indirectly held:** | | | | | | | | |
| Chengdu Xingshidai Yuhang Technology Co., Ltd (成都星時代宇航科技有限公司) . . . . . . . | PRC, 29 Jun 2018 | RMB100,000,000 | 100% | 100% | 100% | 100% | Satellite Design and manufacture | |
| Sichuan Xingshidai Zhihui Satellite Technology Co. Ltd (四川省星時代智慧衛星科技有限公司). . . . . | PRC, 30 Sep 2020 | RMB10,000,000 | 70% | 70% | 70% | 70% | Satellite Design and manufacture | |
| Maanshan Xingkong Yuhang Technology Co. Ltd (馬鞍山星空宇航科技有限公司) . . . . . . . . | PRC, 9 Aug 2022 | RMB1,000,000 | 100% | 100% | 100% | 100% | Integrated satellite technology application system | |
| Huizhou Xingshidai Technology Co. Ltd (惠州星時代技術有限公司) . . | PRC, 12 Aug 2022 | RMB1,000,000 | 100% | 100% | 100% | 100% | Integrated satellite technology application system | |

| Company name | Place and date of incorporation | Registered capital/ Paid capital | Attributable equity interest of the Group — As at 31 December 2022 | 2023 | As at 30 September 2024 | As at the date of this report | Principal activities | *Note* |
|---|---|---|---|---|---|---|---|---|
| Wuhu Xingshidai Aerospace Technology Co. Ltd (蕪湖星時代宇航科技有限公司) . . . . . . . . | PRC, 16 Dec 2022 | RMB1,000,000 | 100% | 100% | 100% | 100% | Integrated satellite technology application system | |
| Chengdu Guoxing Explore Technology Co. Ltd 成都國星探索科技有限公司. . . | PRC, 21 Apr 2023 | RMB1,000,000 | N/A | 51% | 51% | N/A | Integrated satellite technology application system | *(iii)* |
| Chengdu Guoxing Gaowen Technology Co. Ltd (成都國星高文科技有限公司) . | PRC, 30 Mar 2023 | RMB2,000,000 | N/A | 51% | 51% | 51% | Integrated satellite technology application system | |
| Shenzhen Guoxing Zhihui Technology Co., Ltd (深圳市國星智慧科技有限公司) . . . . . . . | PRC, 21 Sep 2023 | RMB10,000,000 | N/A | 100% | 100% | 100% | Integrated satellite technology application system | |
| Chengdu Guoxing Ronghai Technology Co. Ltd (成都國星融海科技有限公司) . | PRC, 19 Oct 2023 | RMB20,000,000 | N/A | 51% | 51% | 51% | Integrated satellite technology application system | |
| Dongguan Guoxing Kexuecheng Zhihui Keji Co., Ltd (東莞國星科學城智慧科技有限公司) . . . . . . . | PRC, 24 Oct 2023 | RMB10,000,000 | N/A | 66% | 66% | N/A | Integrated satellite technology application system | *(iii)* |
| Neijiang Guoxing Kongtian Technology Co., Ltd (內江國星空天科技有限公司) . | PRC, 22 Nov 2023 | RMB10,000,000 | N/A | 51% | 51% | 51% | Integrated satellite technology application system | |
| Guoxing Yuhang (HongKong) Co., Ltd (國星宇航(香港)有限公司) . . . | PRC, 7 Dec 2023 | USD100,000 | N/A | 100% | 100% | 100% | Integrated satellite technology application system | |
| Chongqing Guoxing Kongtian Technology Co. Ltd (重慶國星空天科技有限公司) . . . . . . . . | PRC, 30 Oct 2023 | RMB5,000,000 | N/A | 100% | 100% | 100% | Integrated satellite technology application system | |
| Shenzhen Kongtian Chuangxin Technology Co. Ltd (深圳空天創新科技有限公司) . . . . . . . . | PRC, 27 Mar 2024 | RMB1,000,000 | N/A | N/A | 90% | 90% | Integrated satellite technology application system | |

| Company name | Place and date of incorporation | Registered capital/ Paid capital | Attributable equity interest of the Group As at 31 December 2022 | 2023 | As at 30 September 2024 | As at the date of this report | Principal activities | *Note* |
|---|---|---|---|---|---|---|---|---|
| Shenzhen Kongtian Zhineng Chuangxin Technology Co. Ltd (深圳空天智能創新科技有限公司) . . . . . . . | PRC, 3 Apr 2024 | RMB800,000 | N/A | N/A | 75% | 75% | Integrated satellite technology application system | |
| Chengdu Guoxing Yuhang Lvyou Co., Ltd (成都國星宇航旅遊有限公司) . . . . . . . . | PRC, 12 Aug 2024 | RMB300,000 | N/A | N/A | 100% | 100% | Advertising and information consultation | |

The English names of certain subsidiaries referred herein represent the directors' best effort at translating the Chinese names of these companies as no English names have been registered.

(i) All subsidiaries are not required to issue audited financial statements during the year ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024 the statutory requirements of their respective places of incorporation.

(ii) Since 1 April 2024, as a result of capital contribution increased by a non-controlling shareholder of Zhongxin Shuzi Technology (Chengdu) Co. Ltd, the percentage of equity interests in Zhongxin Shuzi Technology (Chengdu) Co. Ltd held by the Company was diluted from 51% to 31%. Therefore, the Company can no longer control Zhongxin Shuzi Technology (Chengdu) Co. Ltd and did not account for it as a subsidiary.

(iii) As at the date of this report, Haikou Guoxing Yuhang Technology Co. Ltd, Nanchang Guoxing Yuhang Technology Co. Ltd, Chengdu Guoxing Explore Technology Co. Ltd, and Dongguan Guoxing Kexuecheng Zhihui Keji Co., Ltd has been deregistered.

**(b) Investment in subsidiaries**

**The Company**

| | As at 31 December 2022 | 2023 | As at 30 September 2024 |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Investment in subsidiaries | | | |
| – Equity investments . . . . . . . . . . . . . . . . . . | 18,510 | 17,020 | 19,906 |
| – Deemed investments relating to share-based payment *(i)* . . . . . . . . . . . . . . . . . . . . . . | 35,648 | 43,218 | 76,078 |
| | 54,158 | 60,238 | 95,984 |

(i) The Company granted share awards directly to employees of its subsidiaries within the Group, and the Company did not charge subsidiaries for the transaction. In the consolidated financial statements, the transaction was treated as an equity-settled share-based payment. While in the separate financial statements of the Company, it was recorded as an increase in the investment in subsidiaries.

**(c) Non-controlling interests**

Set out below is summarised financial information for Sichuan Star Times Intelligent Satellite Technology Co. Ltd that has non-controlling interests that are material to the Group. The amount disclosed for Sichuan Star Times Intelligent Satellite Technology Co. Ltd are before inter-company eliminations.

***(i) Summarised balance sheets***

| | As at 31 December | | As at 30 September |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* *(Unaudited)* |
| Current assets | 24,150 | 46,246 | 53,765 |
| Current liabilities | (36,006) | (65,614) | (92,871) |
| Current net liabilities | (11,856) | (19,368) | (39,106) |
| Non-current assets | 9,315 | 8,916 | 5,875 |
| Non-current liabilities | – | – | – |
| Non-current net assets | 9,315 | 8,916 | 5,875 |
| Net liabilities | (2,541) | (10,452) | (33,231) |
| Accumulated non-controlling interests | (762) | (3,136) | (9,969) |

***(ii) Summarised statements of comprehensive loss***

| | Year ended 31 December | | Nine months ended 30 September | |
|---|---|---|---|---|
| | 2022 | 2023 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* *(Unaudited)* | *RMB'000* *(Unaudited)* |
| Revenue | 20,253 | 5,283 | 212,264 | 20,649 |
| Loss for the year/period | (7,631) | (7,651) | (6,191) | (22,757) |
| | – | – | – | – |
| Total comprehensive loss | (7,631) | (7,651) | (6,191) | (22,757) |
| Loss allocated to non-controlling interests | (2,289) | (2,295) | (1,857) | (6,827) |

***(iii) Summarised cash flows statements***

| | Year ended 31 December | | Nine months ended 30 September | |
|---|---|---|---|---|
| | 2022 | 2023 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* *(Unaudited)* | *RMB'000* *(Unaudited)* |
| Cash flow used in operating activities | (11,633) | (20,917) | (6,475) | (16,746) |
| Cash flow used in investing activities | (3,586) | (2,613) | (2,598) | (15) |
| Cash flow generated from financing activities | 15,300 | 27,537 | 13,137 | 16,724 |
| Net increase/(decrease) in cash and cash equivalents | 81 | 4,007 | 4,064 | (37) |

Management considered that the other non-wholly owned subsidiaries with non-controlling interests are not significant to the Group, therefore, no summarised financial information of these non-wholly owned subsidiaries is presented separately.

## 14 LOSS PER SHARE

On 29 January 2022, the Company was converted into a joint stock company with limited liability and total 35,218,315 ordinary shares with par value of RMB1 each were issued and allotted to the respective shareholders of the Company according to the paid-in capital registered under these equity holders on that day.

For the purpose of computation of basic and diluted loss per share, the weighted average number of ordinary shares in issue before the conversion into a joint stock company was determined assuming the share capital had been converted into ordinary share deemed in issue upon conversion into joint stock company is applied retrospectively during the year ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024.

### (a) Basic loss per share

The basic loss per share is calculated by dividing the loss attributable to the equity holders of the Company by the weighted average number of ordinary shares issued or deemed to be issued during the year ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024.

| | Year ended 31 December | | Nine months ended 30 September | |
|---|---|---|---|---|
| | 2022 | 2023 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000 (Unaudited)* | *RMB'000 (Unaudited)* |
| Loss attributable to ordinary shareholders of the Company (RMB'000) | (88,337) | (138,087) | (107,919) | (201,160) |
| Weighted average number of outstanding ordinary shares (retrospectively stated) | 30,012,594 | 33,473,009 | 32,904,596 | 35,206,980 |
| Basic loss per share (RMB) | (2.94) | (4.13) | (3.28) | (5.71) |

### (b) Diluted loss per share

Diluted loss per share were the same as the basic loss per share as there were no potentially dilutive ordinary shares outstanding during the year ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024.

## 15 PROPERTY, PLANT AND EQUIPMENT

### (a) The Group

| | Self-owned satellites | Office and electronic equipment | Production Equipment | Motor vehicles | Buildings | Leasehold improvements | Construction in progress ("CIP")* | Total |
|---|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **As at 1 January 2022** | | | | | | | | |
| Cost | – | 10,520 | – | 436 | – | 7,071 | 2,465 | 20,492 |
| Accumulated depreciation | – | (6,414) | – | (100) | – | (2,675) | – | (9,189) |
| Net book amount | – | 4,106 | – | 336 | – | 4,396 | 2,465 | 11,303 |
| **Year ended 31 December 2022** | | | | | | | | |
| Opening net book amount | – | 4,106 | – | 336 | – | 4,396 | 2,465 | 11,303 |
| Additions | – | 2,582 | – | 689 | – | 15,675 | 12,146 | 31,092 |
| Transfer | – | – | 2,725 | – | – | – | (2,725) | – |
| Disposals | – | (269) | – | – | – | – | – | (269) |
| Depreciation *(Note 7)* | – | (3,165) | (363) | (228) | – | (6,775) | – | (10,531) |
| Closing net book amount | – | 3,254 | 2,362 | 797 | – | 13,296 | 11,886 | 31,595 |
| **As at 31 December 2022** | | | | | | | | |
| Cost | – | 12,740 | 2,725 | 1,125 | – | 22,746 | 11,886 | 51,222 |
| Accumulated depreciation | – | (9,486) | (363) | (328) | – | (9,450) | – | (19,627) |
| Net book amount | – | 3,254 | 2,362 | 797 | – | 13,296 | 11,886 | 31,595 |
| **Year ended 31 December 2023** | | | | | | | | |
| Opening net book amount | – | 3,254 | 2,362 | 797 | – | 13,296 | 11,886 | 31,595 |
| Additions | – | 5,716 | – | 5,080 | 1,193 | 2,067 | 343,707 | 357,763 |
| Transfer | 16,142 | – | – | – | – | – | (16,142) | – |
| Disposals | – | (90) | – | (9) | – | – | – | (99) |
| Depreciation *(Note 7)* | (2,242) | (2,235) | (545) | (726) | (9) | (7,831) | – | (13,588) |
| Closing net book amount | 13,900 | 6,645 | 1,817 | 5,142 | 1,184 | 7,532 | 339,451 | 375,671 |
| **As at 31 December 2023** | | | | | | | | |
| Cost | 16,142 | 18,341 | 2,725 | 6,004 | 1,193 | 24,813 | 339,451 | 408,669 |
| Accumulated depreciation | (2,242) | (11,696) | (908) | (862) | (9) | (17,281) | – | (32,998) |
| Net book amount | 13,900 | 6,645 | 1,817 | 5,142 | 1,184 | 7,532 | 339,451 | 375,671 |

| | Self-owned satellites | Office and electronic equipment | Production Equipment | Motor vehicles | Buildings | Lease hold improvements | Construction in progress ("CIP") | Total |
|---|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **As at 1 January 2023** | | | | | | | | |
| Cost | – | 12,740 | 2,725 | 1,125 | – | 22,746 | 11,886 | 51,222 |
| Accumulated depreciation | – | (9,486) | (363) | (328) | – | (9,450) | – | (19,627) |
| Net book amount | – | 3,254 | 2,362 | 797 | – | 13,296 | 11,886 | 31,595 |
| **Nine months ended 30 September 2023 (unaudited)** | | | | | | | | |
| Opening net book amount | – | 3,254 | 2,362 | 797 | – | 13,296 | 11,886 | 31,595 |
| Additions | – | 3,433 | – | 5,080 | 1,193 | 1,994 | 14,141 | 25,841 |
| Transfer | 16,142 | – | – | – | – | – | (16,142) | – |
| Disposals | – | (90) | – | (9) | – | – | – | (99) |
| Depreciation | (448) | (1,513) | (409) | (478) | – | (5,863) | – | (8,711) |
| Closing net book amount | 15,694 | 5,084 | 1,953 | 5,390 | 1,193 | 9,427 | 9,885 | 48,626 |
| **As at 30 September 2023 (unaudited)** | | | | | | | | |
| Cost | 16,142 | 16,058 | 2,725 | 6,004 | 1,193 | 24,740 | 9,885 | 76,747 |
| Accumulated depreciation | (448) | (10,974) | (772) | (614) | – | (15,313) | – | (28,121) |
| Net book amount | 15,694 | 5,084 | 1,953 | 5,390 | 1,193 | 9,427 | 9,885 | 48,626 |
| **As at 1 January 2024** | | | | | | | | |
| Cost | 16,142 | 18,341 | 2,725 | 6,004 | 1,193 | 24,813 | 339,451 | 408,669 |
| Accumulated depreciation | (2,242) | (11,696) | (908) | (862) | (9) | (17,281) | – | (32,998) |
| Net book amount | 13,900 | 6,645 | 1,817 | 5,142 | 1,184 | 7,532 | 339,451 | 375,671 |
| **Nine months ended 30 September 2024 (unaudited)** | | | | | | | | |
| Opening net book amount | 13,900 | 6,645 | 1,817 | 5,142 | 1,184 | 7,532 | 339,451 | 375,671 |
| Additions | – | 2,296 | 17,086 | – | – | 4,267 | 43,520 | 67,169 |
| Transfer | – | 1,398 | – | – | 365,101 | – | (366,499) | – |
| Transfer to Investment properties *(Note 17)* | – | – | – | – | (45,440) | – | – | (45,440) |
| Disposals | (10,313) | (30) | – | (170) | – | (102) | (6,125) | (16,740) |
| Depreciation *(Note 7)* | (3,587) | (2,646) | (787) | (1,015) | (5,503) | (6,396) | – | (19,934) |
| Closing net book amount | – | 7,663 | 18,116 | 3,957 | 315,342 | 5,301 | 10,347 | 360,726 |
| **As at 30 September 2024 (unaudited)** | | | | | | | | |
| Cost | – | 21,883 | 19,811 | 5,648 | 320,227 | 28,978 | 10,347 | 406,894 |
| Accumulated depreciation | – | (14,220) | (1,695) | (1,691) | (4,885) | (23,677) | – | (46,168) |
| Net book amount | – | 7,663 | 18,116 | 3,957 | 315,342 | 5,301 | 10,347 | 360,726 |

**(b) The Company**

| | Self-owned satellites | Office and electronic equipment | Motor vehicles | Buildings | Leasehold improvements | Construction in progress ("CIP") | Total |
|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **As at 1 January 2022** | | | | | | | |
| Cost | – | 446 | – | – | – | – | 446 |
| Accumulated depreciation | – | (230) | – | – | – | – | (230) |
| Net book amount | – | 216 | – | – | – | – | 216 |
| **Year ended 31 December 2022** | | | | | | | |
| Opening net book amount | – | 216 | – | – | – | – | 216 |
| Additions | – | 679 | – | – | 3,324 | 5,470 | 9,473 |
| Transfer | – | – | – | – | – | – | |
| Disposals | – | – | – | – | – | – | |
| Depreciation | – | (127) | – | – | (1,653) | – | (1,780) |
| Closing net book amount | – | 768 | – | – | 1,671 | 5,470 | 7,909 |
| **As at 31 December 2022** | | | | | | | |
| Cost | – | 1,125 | – | – | 3,324 | 5,470 | 9,919 |
| Accumulated depreciation | – | (357) | – | – | (1,653) | – | (2,010) |
| Net book amount | – | 768 | – | – | 1,671 | 5,470 | 7,909 |
| **Year ended 31 December 2023** | | | | | | | |
| Opening net book amount | – | 768 | – | – | 1,671 | 5,470 | 7,909 |
| Additions | – | 187 | 752 | – | 1,243 | 332,917 | 335,099 |
| Transfer | 12,836 | – | – | – | – | (12,836) | – |
| Disposals | – | – | – | – | – | – | – |
| Depreciation *(Note 7)* | (1,783) | (211) | (168) | – | (1,226) | – | (3,388) |
| Closing net book amount | 11,053 | 744 | 584 | – | 1,688 | 325,551 | 339,620 |
| **As at 31 December 2023** | | | | | | | |
| Cost | 12,836 | 1,312 | 752 | – | 4,567 | 325,551 | 345,018 |
| Accumulated depreciation | (1,783) | (568) | (168) | – | (2,879) | – | (5,398) |
| Net book amount | 11,053 | 744 | 584 | – | 1,688 | 325,551 | 339,620 |

| | Self-owned satellites | Office and electronic equipment | Motor vehicles | Buildings | Lease hold improvements | Construction in progress ("CIP")* | Total |
|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **As at 1 January 2023** | | | | | | | |
| Cost | – | 1,125 | – | – | 3,324 | 5,470 | 9,919 |
| Accumulated depreciation | – | (357) | – | – | (1,653) | – | (2,010) |
| Net book amount | – | 768 | – | – | 1,671 | 5,470 | 7,909 |
| **Nine months ended 30 September 2023 (Unaudited)** | | | | | | | |
| Opening net book amount | – | 768 | – | – | 1,671 | 5,470 | 7,909 |
| Additions | – | 71 | 753 | – | 1,334 | 7,366 | 9,524 |
| Transfer | 12,836 | – | – | – | – | (12,836) | – |
| Depreciation *(Note 7)* | (357) | (235) | (13) | – | (945) | – | (1,550) |
| Closing net book amount | 12,479 | 604 | 740 | – | 2,060 | – | 15,883 |
| **As at 30 September 2023 (Unaudited)** | | | | | | | |
| Cost | 12,836 | 1,196 | 753 | – | 4,657 | – | 19,442 |
| Accumulated depreciation | (357) | (592) | (13) | – | (2,597) | – | (3,559) |
| Net book amount | 12,479 | 604 | 740 | – | 2,060 | – | 15,883 |
| **As at 1 January 2024** | | | | | | | |
| Cost | 12,836 | 1,312 | 752 | – | 4,567 | 325,551 | 345,018 |
| Accumulated depreciation | (1,783) | (568) | (168) | – | (2,879) | – | (5,398) |
| Net book amount | 11,053 | 744 | 584 | – | 1,688 | 325,551 | 339,620 |
| **Nine months ended 30 September 2024 (Unaudited)** | | | | | | | |
| Opening net book amount | 11,053 | 744 | 584 | – | 1,688 | 325,551 | 339,620 |
| Additions | – | 1,314 | – | – | – | 35,842 | 37,156 |
| Transfer | – | 929 | – | 360,464 | – | (361,393) | – |
| Transfer to Investment properties *(Note16)* | – | – | – | (360,464) | – | – | (360,464) |
| Disposals | (8,201) | (21) | – | – | – | – | (8,222) |
| Depreciation | (2,852) | (1,201) | (141) | – | (946) | – | (5,140) |
| Closing net book amount | – | 1,765 | 443 | – | 742 | – | 2,950 |
| **As at 30 September 2024 (Unaudited)** | | | | | | | |
| Cost | – | 3,348 | 752 | – | 4,567 | – | 8,667 |
| Accumulated depreciation | – | (1,583) | (309) | – | (3,825) | – | (5,717) |
| Net book amount | – | 1,765 | 443 | – | 742 | – | 2,950 |

**(c)** Depreciation expenses were charged to the following categories in the consolidated statements of comprehensive loss:

| | Year ended 31 December | | Nine months ended 30 September | |
|---|---|---|---|---|
| | 2022 | 2023 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* *(Unaudited)* | *RMB'000* *(Unaudited)* |
| Cost of sales | 511 | 2,541 | 450 | 4,554 |
| Research and development expenses | 499 | 87 | 128 | 1,293 |
| General and administrative expenses | 9,426 | 10,781 | 8,031 | 13,977 |
| Selling and marketing expenses | 95 | 179 | 102 | 110 |
| | 10,531 | 13,588 | 8,711 | 19,934 |

No property, plant and equipment was restricted or pledged as security for liabilities as at 31 December 2022 and 2023 and 30 September 2024.

## 16 LEASES

### (a) Amounts recognised in the consolidated balance sheets

The consolidated balance sheets show the following amounts relating to leases:

| | As at 31 December | | As at 30 September |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **Right-of-use assets** | | | |
| – Land use rights | 2,491 | 2,360 | 16,521 |
| – Leased assets | 4,611 | 8,243 | 10,059 |
| | 7,102 | 10,603 | 26,580 |
| **Lease liabilities** | | | |
| Current | 3,019 | 3,647 | 4,057 |
| Non-current | 1,553 | 4,841 | 7,685 |
| | 4,572 | 8,488 | 11,742 |

### (b) Amounts recognised in the consolidated income statements

The consolidated income statements show the following amounts relating to leases:

| | Year ended 31 December | | Nine months ended 30 September | |
|---|---|---|---|---|
| | 2022 | 2023 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* *(Unaudited)* | *RMB'000* *(Unaudited)* |
| Depreciation charge of right-of-use assets *(Note 7)* | | | | |
| – Land use rights | 132 | 132 | 99 | 464 |
| – Leased property | 3,248 | 3,393 | 2,341 | 3,459 |
| | 3,380 | 3,525 | 2,440 | 3,923 |
| Interest expense *(Note 11)* | 206 | 238 | 156 | 342 |
| Expense relating to short-term leases* *(Note 7)* | 1,864 | 5,067 | 1,987 | 2,003 |

* Expense relating to short-term leases including cost of sales, selling and marketing expenses, general and administrative expenses and research and development expenses.

The movements of the right-of-use assets for the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024 were as follows:

| | Year ended 31 December | | Nine months ended 30 September | |
|---|---|---|---|---|
| | 2022 | 2023 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* *(Unaudited)* | *RMB'000* *(Unaudited)* |
| Opening net book value | 10,113 | 7,102 | 7,102 | 10,603 |
| Additions | 1,395 | 8,188 | 6,543 | 20,188 |
| Early termination | (1,026) | (1,162) | (1,162) | – |
| Disposal of subsidiary | – | – | – | (288) |
| Depreciation charge *(Note 7)* | (3,380) | (3,525) | (2,440) | (3,923) |
| Closing net book value | 7,102 | 10,603 | 10,043 | 26,580 |

**(c) Amounts recognised in the consolidated statements of cash flows**

The total cash outflow for leases for the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024 was approximately RMB4,616,000, RMB7,834,000, RMB4,423,000 and RMB4,258,000 out of which RMB2,752,000, RMB2,767,000, RMB2,436,000 and RMB2,255,000 was relating to financing activities.

## 17 INVESTMENT PROPERTIES

| | Group | Company |
|---|---|---|
| **(Unaudited)** | | |
| **Year ended 30 September 2024** | | |
| Opening net book amount | – | – |
| Transfer from property, plant and equipment | 45,440 | 365,101 |
| Depreciation *(Note 7)* | – | (4,637) |
| Closing net book amount | 45,440 | 360,464 |
| **At 30 September, 2024** | | |
| Cost | 45,440 | 365,101 |
| Accumulated depreciation | – | (4,637) |
| Impairment | – | – |
| Net book amount | 45,440 | 360,464 |
| Fair value | 49,000 | 366,000 |

The investment properties are leased to tenants under operating leases with rentals payable quarterly. Lease income from operating leases where the group is a lessor is recognised in income on a straight-line basis over the lease term.

The investment properties are stated at cost less accumulated depreciation. The investment properties are located in Chengdu, Sichuan Province, and the fair value of which, as at 30 September 2024, for disclosure purpose, was derived using the comparison approach with reference to comparable market transactions.

## 18 Intangible assets

| | Data-use-right | Software | Total |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **As at 1 January 2022** | | | |
| Cost | – | 3,827 | 3,827 |
| Accumulated amortization | – | (1,199) | (1,199) |
| Net book amount | – | 2,628 | 2,628 |
| **Year ended 31 December 2022** | | | |
| Opening net book amount | – | 2,628 | 2,628 |
| Additions | 1,698 | 2,851 | 4,549 |
| Amortization charge *(Note 7)* | (47) | (942) | (989) |
| Closing net book amount | 1,651 | 4,537 | 6,188 |
| **As at 31 December 2022** | | | |
| Cost | 1,698 | 6,678 | 8,376 |
| Accumulated amortization | (47) | (2,141) | (2,188) |
| Net book amount | 1,651 | 4,537 | 6,188 |
| **Year ended 31 December 2023** | | | |
| Opening net book amount | 1,651 | 4,537 | 6,188 |
| Additions | – | 8,170 | 8,170 |
| Amortization charge *(Note 7)* | (566) | (2,219) | (2,785) |
| Closing net book amount | 1,085 | 10,488 | 11,573 |
| **As at 31 December 2023** | | | |
| Cost | 1,698 | 14,848 | 16,546 |
| Accumulated amortization | (613) | (4,360) | (4,973) |
| Net book amount | 1,085 | 10,488 | 11,573 |
| **As at 1 January 2023** | | | |
| Cost | 1,698 | 6,678 | 8,376 |
| Accumulated amortization | (47) | (2,141) | (2,188) |
| Net book amount | 1,651 | 4,537 | 6,188 |
| **Nine months ended 30 September 2023 (Unaudited)** | | | |
| Opening net book amount | 1,651 | 4,537 | 6,188 |
| Additions | – | 8,170 | 8,170 |
| Amortization charge *(Note 7)* | (425) | (1,476) | (1,901) |
| Closing net book amount | 1,226 | 11,231 | 12,457 |
| **As at 1 January 2024** | | | |
| Cost | 1,698 | 14,848 | 16,546 |
| Accumulated amortization | (613) | (4,360) | (4,973) |
| Net book amount | 1,085 | 10,488 | 11,573 |
| **Nine months ended 30 September 2024 (Unaudited)** | | | |
| Opening net book amount | 1,085 | 10,488 | 11,573 |
| Additions | 849 | – | 849 |
| Amortization charge (Note 7) | (849) | (2,125) | (2,974) |
| Closing net book amount | 1,085 | 8,363 | 9,448 |
| **As at 30 September 2024 (Unaudited)** | | | |
| Cost | 2,547 | 14,848 | 17,395 |
| Accumulated amortization | (1,462) | (6,485) | (7,947) |
| Net book amount | 1,085 | 8,363 | 9,448 |

**(a)** Amortisation expenses were charged to the following categories in the consolidated statements of comprehensive loss:

| | Year ended 31 December | | Nine months ended 30 September | |
|---|---|---|---|---|
| | 2022 | 2023 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* *(Unaudited)* | *RMB'000* *(Unaudited)* |
| Cost of sales | 348 | 1,717 | 1,047 | 2,267 |
| General and administrative expenses | 641 | 1,068 | 854 | 707 |
| | 989 | 2,785 | 1,901 | 2,974 |

## 19 INVESTMENT ACCOUNTED FOR USING EQUITY METHOD

| | As at 31 December | | As at 30 September |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Investment in associate and joint venture accounted for using the equity method | – | 3,530 | 10,930 |

The movement of the investment in associates and joint ventures accounted for using the equity method is set out below.

| | Year ended 31 December | Nine months ended 30 September | |
|---|---|---|---|
| | 2023 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* *(Unaudited)* | *RMB'000* *(Unaudited)* |
| **Beginning of year** | – | – | 3,530 |
| Initial recognition | 4,240 | 4,240 | 8,223 |
| Share of loss | (710) | (522) | (823) |
| **End of year** | 3,530 | 3,718 | 10,930 |

Set out below are the particulars of the associates and joint ventures as at 31 December 2022 and 2023 and 30 September 2024.

| | | | Attributable equity interests to the Group | | |
|---|---|---|---|---|---|
| | | | As at 31 December | | As at 30 September |
| Company name | Place of incorporation and operation and date of incorporation | Principal activities | 2022 | 2023 | 2024 |
| Tai'an Taiyue Guoxing Zhihui Technology Co. Ltd (泰安市泰岳國星智慧科技有限公司) | PRC, 31 Oct 2022 | Integrated satellite technology application system | – | 49% | 49% |
| Yueyang Guoxing Zhihui Technology Co. Ltd (岳陽市國星智慧科技有限公司) *(i)* | PRC, 26 Dec 2022 | Integrated satellite technology application system | – | 55% | 55% |
| Qingdao Guoxing Hainuo Zhihui Technology Co. Ltd (青島國星海諾智慧科技有限公司) *(i)* | PRC, 7 June 2023 | Integrated satellite technology application system | – | 51% | 51% |
| Tai'an Guoxing Dongyue Zhihui Technology Co. Ltd 泰安市國星東岳智慧科技有限公司 *(i)* | PRC, 17 Jan 2024 | Integrated satellite technology application system | – | – | 51% |
| Zhongxin Shuzi Technology (Chengdu) Co. Ltd (中新數字科技(四川)有限公司) | PRC, 28 Sep 2020 | Integrated satellite technology application system | * | * | 31% |

The directors of the Company considered that the associates and the joint ventures as at 31 December 2022, 2023 and 30 September 2024 were insignificant to the Group and thus a summary of financial information of the associates was not disclosed.

(i) Although the Group holds over 50% of the voting rights in Yueyang Guoxing Zhihui Technology Co. Ltd, Qingdao Guoxing Hainuo Zhihui Technology Co. Ltd, and Tai'an Guoxing Dongyue Zhihui Technology Co.Ltd, the operating activities of the three companies are controlled by their respective shareholders, and the Group does not have control over these three companies. The Group therefore determined that these three companies are joint ventures to the Group.

* Since 1 April 2024, as a result of transfer of equity interests of Zhongxin Shuzi Technology (Chengdu) Co. Ltd by the Company to a third party, the percentage of equity interests in Zhongxin Shuzi Technology (Chengdu) Co. Ltd held by the Company decreased from 51% to 31%. Therefore, the Company can no longer control Zhongxin Shuzi Technology (Chengdu) Co. Ltd and considered it an associate.

As at 31 December 2022, 2023 and 30 September 2024, there was no significant contingent liability and commitment relating to the Group's interest in the associates and the joint ventures.

## 20 DEFERRED INCOME TAX ASSETS

Deferred income tax is calculated in full on temporary differences under the liability method using the tax rates which are expected to apply at the time of reversal of the temporary differences.

The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheets:

| | As at 31 December | | As at 30 September |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **Deferred income tax assets:** | | | |
| – to be recovered after more than 12 months | 344 | 625 | 382 |
| – to be recovered within 12 months | 368 | 917 | 1,591 |
| | 712 | 1,542 | 1,973 |
| **Deferred income tax liabilities:** | | | |
| – to be recovered after more than 12 months | 344 | 625 | 382 |
| – to be recovered within 12 months | 368 | 917 | 1,591 |
| | 712 | 1,542 | 1,973 |
| **Net deferred income tax assets** | – | – | – |

The movement in deferred income tax assets and liabilities during each of the years, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

| Deferred income tax assets | Lease liability |
|---|---|
| | *RMB'000* |
| **As at 1 January 2022** | 1,222 |
| Charged to profit or loss | (510) |
| **As at 31 December 2022** | 712 |
| **As at 1 January 2023** | 712 |
| Credited to profit or loss | 830 |
| **As at 31 December 2023** | 1,542 |
| **(Unaudited)** | |
| **As at 1 January 2023** | 712 |
| Credited to profit or loss | 29 |
| **As at 30 September 2023** | 741 |
| **(Unaudited)** | |
| **As at 1 January 2024** | 1,542 |
| Credited to profit or loss | 431 |
| **As at 30 September 2024** | 1,973 |

| Deferred income tax liabilities | Right-of-use assets |
|---|---|
| | *RMB'000* |
| **As at 1 January 2022** | 1,222 |
| Credited to profit or loss | (510) |
| **As at 31 December 2022** | 712 |
| **As at 1 January 2023** | 712 |
| Charged to profit or loss | 830 |
| **As at 31 December 2023** | 1,542 |
| **(Unaudited)** | |
| **As at 1 January 2023** | 712 |
| Charged to profit or loss | 29 |
| **As at 30 September 2023** | 741 |
| **(Unaudited)** | |
| **As at 1 January 2024** | 1,542 |
| Charged to profit or loss | 431 |
| **As at 30 September 2024** | 1,973 |

## 21 INVENTORIES

### (a) The Group

| | As at 31 December | | As at 30 September |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **Cost:** | | | |
| Finished goods | 538 | 23,143 | 44,032 |
| Work in Progress | 10,970 | 18,881 | 54,166 |
| | 11,508 | 42,024 | 98,198 |
| **Less: Provision for impairment loss** | – | – | – |
| **Inventories – net** | 11,508 | 42,024 | 98,198 |

The cost of inventories recognised as cost of revenue amounted to approximately RMB135,146,000, RMB433,172,000, RMB87,792,000 and RMB175,446,000 for the years ended 31 December 2022 and 2023, and the nine months ended 30 September 2023 and 2024 respectively.

### (b) The Company

| | As at 31 December | | As at 30 September |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **Cost:** | | | |
| Finished goods | 101 | 16,917 | 22,212 |
| Work in Progress | 3,093 | 11,821 | 19,526 |
| **Less: Provision for impairment loss** | – | – | – |
| **Inventories – net** | 3,194 | 28,738 | 41,738 |

## 22 FINANCIAL INSTRUMENTS BY CATEGORY

| | As at 31 December | | As at 30 September |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **Assets as per balance sheet** | | | |
| *Financial assets at amortised costs:* | | | |
| – Cash and cash equivalents *(Note 28(a))* | 38,025 | 124,591 | 110,760 |
| – Restricted cash *(Note 28(a))* | – | 20,051 | 29,418 |
| – Trade receivables *(Note 23)* | 128,749 | 500,860 | 500,188 |
| – Other receivables *(Note 24)* | 25,400 | 114,266 | 87,967 |
| | 192,174 | 759,768 | 728,333 |
| *Financial assets at fair value:* | | | |
| – Financial assets at FVOCI *(Note 26)* | 3,600 | 3,600 | 3,600 |
| – Financial assets at FVPL *(Note 27)* | 262,174 | 191,370 | – |
| | 265,774 | 194,970 | 3,600 |
| **Liabilities as per balance sheet** | | | |
| *Financial liabilities at amortised costs:* | | | |
| – Trade and other payables (excluding staff salaries and welfare payables, taxes payables and others) *(Note 35)* | 61,877 | 467,664 | 488,285 |
| – Lease liabilities *(Note 16)* | 4,572 | 8,488 | 11,742 |
| – Borrowings *(Note 33)* | 45,860 | 74,960 | 99,950 |
| | 112,309 | 551,112 | 599,977 |

## 23 TRADE AND NOTES RECEIVABLES

### (a) The Group

| | As at 31 December | | As at 30 September |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Note receivables | 5,000 | – | – |
| Trade receivables due from third parties | 111,964 | 498,618 | 501,927 |
| Trade receivables due from related parties | 18,265 | 25,381 | 26,257 |
| | 135,229 | 523,999 | 528,184 |
| Less: provision for loss allowance of receivables | (6,480) | (23,139) | (27,996) |
| **Trade receivables – net** | 128,749 | 500,860 | 500,188 |

As at 31 December 2022, 2023 and 30 September 2024, the fair values of trade receivables of the Group approximated their carrying amounts. As at 31 December 2022, 2023 and 30 September 2024, all the carrying amounts of trade receivables were denominated in RMB.

Aging analysis of trade receivables at the respective balance sheet dates, based on the transaction date, are as follows:

| | As at 31 December | | As at 30 September |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Within 6 months | 103,936 | 396,703 | 159,688 |
| 6 to 12 months | 11,491 | 67,839 | 277,781 |
| Over 1 year | 14,802 | 59,457 | 90,715 |
| **Trade receivables, gross** | 130,229 | 523,999 | 528,184 |

The Group did not hold any collateral as security over these trade receivables.

The Group applies the simplified approach to provide for expected credit loss prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit loss, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit loss also incorporate forward-looking information. Movements on the provision for impairment of trade receivables are disclosed in Note 3.1(b).

**(b) The Company**

| | As at 31 December | | As at 30 September |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Note receivables | 5,000 | – | – |
| Trade receivables due from third parties | 61,765 | 243,800 | 336,911 |
| Trade receivables due from related parties | 9,057 | 19,849 | 38,233 |
| **Trade receivables – gross** | 75,822 | 263,649 | 375,144 |
| Less: provision for loss allowance of receivables | (1,336) | (10,782) | (14,558) |
| **Trade receivables – net** | 74,486 | 252,867 | 360,586 |

Aging analysis of trade receivables at the respective balance sheet dates, based on the transaction date, are as follows:

| | As at 31 December | | As at 30 September |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Within 6 months | 70,215 | 213,371 | 155,895 |
| 6 to 12 months | 137 | 40,793 | 180,473 |
| Over 1 year | 470 | 9,485 | 38,776 |
| **Trade receivables – gross** | 70,822 | 263,649 | 375,144 |

## 24 OTHER RECEIVABLES

**(a) The Group**

| | As at 31 December | | As at 30 September |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **Non-current** | | | |
| Deposits | 585 | 216 | 146 |
| **Current** | | | |
| Other receivables due from related parties *(Note 39)* | 33 | 152 | 536 |
| Advances on behalf of customers as an agency | 18,910 | 73,208 | 57,002 |
| Deposits | 3,594 | 39,879 | 32,641 |
| Staff advances and borrowings | 2,380 | 4,964 | 1,614 |
| Others | 2,635 | 2,422 | 1,060 |
| Less: provision for loss allowance of receivables | (2,737) | (6,575) | (5,032) |
| | 25,400 | 114,266 | 87,967 |

As at 31 December 2022, 2023 and 30 September 2024, the fair values of the trade and other receivables of the Group, approximated their carrying amounts.

To measure the expected credit loss, other receivables have been grouped based on shared credit risk characteristics and the aging days. The expected credit loss also incorporate forward-looking information. Movements on the provision for impairment of other receivables are disclosed in Note 3.1(b).

**(b) The Company**

| | As at 31 December | | As at 30 September |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **Non-current** | | | |
| Deposits | – | 4,259 | 125 |
| Other receivables from subsidiaries | 166,914 | 234,275 | 336,195 |
| **Current** | | | |
| Other receivables from subsidiaries | 99,345 | 274,753 | 327,259 |
| Advances on behalf of customers as an agency | 5,227 | 48,267 | 38,647 |
| Staff advances and borrowings | 123 | 1,225 | 1,310 |
| Deposits | 16 | 324 | 397 |
| Others | 2,394 | 1,647 | 125 |
| Less: provision for loss allowance of receivables | (221) | (3,783) | (3,170) |
| | 273,798 | 560,967 | 700,888 |

## 25 PREPAYMENT AND OTHER CURRENT ASSETS

**(a) The Group**

| | As at 31 December | | As at 30 September |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **Non-current** | | | |
| Prepayment for Shenzhen Center and Jiaxing satellite testing base | – | 6,394 | 18,755 |
| Prepayment for leasehold improvements | – | 2,415 | 9,740 |
| **Current** | | | |
| Prepayments for goods and service | 37,238 | 36,373 | 32,692 |
| Prepaid taxes and surcharges and deductible input VAT | 2,277 | 7,276 | 17,315 |
| Prepaid and accrued [REDACTED] expenses | [REDACTED] | [REDACTED] | [REDACTED] |
| Prepaid rental expense | 221 | 101 | 21 |
| | 39,736 | 52,559 | 79,726 |

**(b) The Company**

| | As at 31 December | | As at 30 September |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **Non-current** | | | |
| Prepayment for leasehold improvements | – | 2,415 | 9,740 |
| **Current** | | | |
| Prepayments for goods and service | 24,216 | 16,431 | 23,562 |
| Prepaid and accrued [REDACTED] expenses | [REDACTED] | [REDACTED] | [REDACTED] |
| Prepaid taxes and surcharges and deductible input VAT | – | 2,491 | 3 |
| Prepaid rental expense | – | 51 | 1 |
| | 24,216 | 21,388 | 34,509 |

## 26 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | As at 31 December | | As at 30 September |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Unlisted securities *(i) (Note 3.3)* | 3,600 | 3,600 | 3,600 |

As at 31 December 2022, 2023 and 30 September 2024, all the financial assets at FVOCI were equity investment, the impact of expected loss of fair value through other comprehensive income was assessed to be insignificant.

(i) The Group's unlisted investments represented investments in shares of certain private entities and all of them are operating business in the PRC.

| | | Attributable equity interests to the Group | | | Carrying amount (RMB'000) | | |
|---|---|---|---|---|---|---|---|
| | | As at 31 December | | As at 30 September | As at 31 December | | As at 30 September |
| Company name | Place/date of incorporation | 2022 | 2023 | 2024 | 2022 | 2023 | 2024 |
| Beijing Space-park Technology Co. Ltd (北京停碳科技有限公司) *(a)* | The PRC, 19 Jul 2021 | 10% | 10% | 10% | 3,000 | 3,000 | 3,000 |
| Sichuan New Vision Chuangwei Ultra HD Technology Co. Ltd (四川新視創偉超高清科技有限公司) *(b)* | The PRC, 9 May 2019 | 1.9% | 1.9% | 1.9% | 600 | 600 | 600 |
| | | | | | 3,600 | 3,600 | 3,600 |

(a) In July 2021, the Company entered into an agreement to subscribe for equity interests of 10% in Beijing Space-park Technology Co. Ltd with a total consideration of RMB3 million. The consideration was paid in full in August 2021. The Group has no significant influence over Beijing Space-park Technology Co. Ltd. Hence, the investment is accounted for as financial assets at FVOCI with changes in the fair value recorded in the consolidated statements of comprehensive loss.

(b) In July 2022, the Company entered into an agreement to subscribe for equity interests of 1.9048% in Sichuan New Vision Chuangwei Ultra HD Technology Co. Ltd with a total consideration of RMB0.6 million. The consideration was paid in full in July 2022. The Group has no significant influence over Sichuan New Vision Chuangwei Ultra HD Technology Co. Ltd. Hence, the investment is accounted for as financial assets at FVOCI with changes in the fair value recorded in the consolidated statements of comprehensive loss.

## 27 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | As at 31 December | | As at 30 September |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **Current** | | | |
| Structured deposit *(Note 3.3)* | 262,174 | 191,370 | – |

## 28 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

### (a) The Group

***Cash and cash equivalents***

| | As at 31 December | | As at 30 September |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Cash at banks and on hand | 38,025 | 144,642 | 140,178 |
| Less: restricted cash | – | (20,051) | (29,418) |
| | 38,025 | 124,591 | 110,760 |

Cash and cash equivalents were denominated in the RMB.

***Restricted cash***

| | As at 31 December | | As at 30 September |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Restricted government granted subsidy | – | 13,730 | 9,139 |
| Guarantee deposits for bank acceptance notes | – | 6,295 | 17,953 |
| Restricted by court due to litigations | – | – | 2,232 |
| Others | – | 26 | 94 |
| | – | 20,051 | 29,418 |

Restricted cash were denominated in the RMB.

### (b) The Company

Cash and cash equivalents

| | As at 31 December | | As at 30 September |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Cash at banks and on hand | 33,515 | 80,019 | 74,898 |
| Less: restricted cash | – | (16,051) | (16,795) |
| | 33,515 | 63,968 | 58,103 |

Cash and cash equivalents were denominated in the RMB.

***Restricted cash***

| | As at 31 December | | As at 30 September |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Restricted government granted subsidy | – | 9,730 | 5,115 |
| Guarantee deposits for bank acceptance notes | – | 6,295 | 11,446 |
| Restricted by court due to litigations | – | – | 140 |
| Others | – | 26 | 94 |
| | – | 16,051 | 16,795 |

Restricted cash were denominated in the RMB.

## 29 Share capital

| | As at 31 December | | As at 30 September |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| **Registered and issued:** | | | |
| Number of shares (in thousand) | 30,963 | 35,160 | 35,218 |
| **Fully paid:** | | | |
| Number of shares (in thousand) | 30,963 | 35,160 | 35,218 |
| Share capital (in RMB'000) | 30,963 | 35,160 | 35,218 |

Movements on the paid-in capital/share capital are as follow:

| | Number of Shares |
|---|---|
| | *(in thousand)* |
| **As at 1 January 2022** *(ii)* | 2,235 |
| Converted into a joint stock limited company *(iii)* | 27,765 |
| Capital contribution from series B1 investors *(iv)* | 707 |
| Capital contribution from series C investors *(iv)* | 256 |
| **As at 31 December 2022** | 30,963 |
| **As at 1 January 2023** | 30,963 |
| Capital contribution from series C investors *(iv)* | 4,197 |
| **As at 31 December 2023** | 35,160 |
| **As at 1 January 2023** | 30,963 |
| Capital contribution from series C investors *(iv)* | 4,180 |
| **As at 30 September 2023 (Unaudited)** | 35,143 |
| **As at 1 January 2024** | 35,160 |
| Capital contribution from series C1 investors *(iv)* | 58 |
| **As at 30 September 2024 (Unaudited)** | 35,218 |

(i) The Company was established on 3 May 2018 in the PRC as a limited liability company with registered capital of RMB1,000,000 by Beijing Xinshidai. On 31 July 2018, Beijing Xinshidai transferred its 70% equity interest in the Company to Beijing Xingrong.

(ii) Prior to the Company converted into a joint stock company, the Company completed several rounds of financing including Series Angel, Series Pre-A, Series A, Series B in the way of registered capital increase of the Company and capital transfer from Beijing Xingrong and Beijing Xinshidai to investors. The transactions resulted in increases in paid-in capital and capital reserves. The Group has no contractual obligation to deliver cash or a variable number of shares to investors, thus the financing from investors meet the definition of equity.

Paid-in capital are generated from investors' capital injection. The excess of total consideration raised over paid-in capital was credited to the Company's capital reserve (Note 30).

(iii) On 10 January 2022, the Company was converted from a limited liability company into a joint stock limited liability company with a share capital of RMB30,000,000. The Company issued and allotted 30,000,000 ordinary shares with par value of RMB1 each to the respective then shareholders of the Company in accordance with the proportion of their paid-in capital to the Company as at 10 January 2022. As a result, share capital of the Company increased by approximately RMB27,765,000.

(iv) For the year ended 31 December 2022, 707,000 shares were issued and allotted to Series B1 investors for a consideration of RMB50,000,000, of which RMB707,000 were recognised as share capital, and RMB49,293,000 were recognised as capital reserves.

For the years ended 31 December 2022 and 2023, 4,453,000 shares were issued and allotted to Series C investors for a consideration of RMB521,951,000, of which RMB4,453,000 were recognised as share capital, and RMB517,498,000 were recognised as capital reserves.

For the nine months ended 30 September 2024, 58,000 shares were issued and allotted to Series C1 investors for a consideration of RMB10,000,000 of which RMB58,000 were recognised as share capital, and RMB9,942,000 were recognised as capital reserves.

## 30 OTHER RESERVES

The following table shows a breakdown of the balance sheet line item "other reserves" and its movement during the respective years.

| | Capital reserve | Share-based payment reserve | Translation reserve | Total |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **As at 1 January 2022** | 522,765 | 51,300 | – | 574,065 |
| Conversion to share capital *(Note 29)* | (27,765) | – | – | (27,765) |
| Capital contribution from series B1 investors | 49,293 | – | – | 49,293 |
| Capital contribution from series C investors | 29,744 | – | – | 29,744 |
| Share-based payments *(Note 32)* | – | 23,183 | – | 23,183 |
| **As at 31 December 2022** | 574,037 | 74,483 | – | 648,520 |
| **As at 1 January 2023** | 574,037 | 74,483 | – | 648,520 |
| Capital contribution from series C investors | 487,754 | – | – | 487,754 |
| Share-based payments *(Note 32)* | – | 48,416 | – | 48,416 |
| **As at 31 December 2023** | 1,061,791 | 122,899 | – | 1,184,690 |
| **(Unaudited)** | | | | |
| **As at 1 January 2023** | 574,037 | 74,483 | – | 648,520 |
| Capital contribution from series C investors | 485,771 | – | – | 485,771 |
| Share-based payments *(Note 32)* | – | 34,466 | – | 34,466 |
| **As at 30 September 2023** | 1,059,808 | 108,949 | – | 1,168,757 |
| **(Unaudited)** | | | | |
| **As at 1 January 2024** | 1,061,791 | 122,899 | – | 1,184,690 |
| Capital contribution from series C1 investors | 9,942 | – | – | 9,942 |
| Share-based payments *(Note 32)* | – | 70,120 | – | 70,120 |
| Translation reserve | – | – | 5 | 5 |
| **As at 30 September 2024** | 1,071,733 | 193,019 | 5 | 1,264,757 |

## 31 DIVIDEND

No dividend has been paid or declared by the Company for the years ended 31 December 2022, 2023 and the nine months ended 30 September 2023 and 2024.

No dividend or distribution has been declared, made or paid by the Company or any of the subsidiaries comprising the Group in respect of any period subsequent to 30 September 2024.

## 32 SHARE-BASED PAYMENTS

### (a) Share award schemes

Starting from 2019, several shareholders of the Company adopted the share award scheme with the purpose of which is to provide incentive for certain senior management members and employees contributing to the Group (the "Incentive targets"). Incentive targets were entitled to be granted share awards in the form of equity interests in Beijing Xingrong and Beijing Xinshidai, as rewards for their services and in exchange for their professional expertise to the Group.

All the granted shares were vested upon fulfilling the service conditions or performance conditions, if an employee ceased to be employed of the Group within this vesting period, the awarded shares would be forfeited, and forfeited shares would be purchased back by other parties appointed by the Dr. Lu Chuan, General partner of Beijing Xingrong and Beijing Xinshidai, at the price prescribed in the share transfer agreement. Once the vesting conditions of restricted shares are met, ordinary shares are considered duly and validly issued to the holder, and free of restrictions on transfer.

Set out below are the movement in the number of awarded restricted shares under the Share Incentive Plans:

| | Weighted average grant date fair value per restricted share | Number of restricted shares |
|---|---|---|
| | *RMB* | |
| **As at 1 January 2022** | 40.19 | 3,704,828 |
| Granted | 97.29 | 1,777,718 |
| Forfeited | 54.43 | (197,528) |
| Granted to Dr. Lu Chuan *(i)* | 87.04 | 138,716 |
| **As at 31 December 2022** | 59.59 | 5,423,734 |
| **As at 1 January 2023** | 59.59 | 5,423,734 |
| Granted | 144.49 | 1,709,893 |
| Forfeited | 55.97 | (146,349) |
| Granted to Dr. Lu Chuan *(i)* | 109.55 | 75,345 |
| **As at 31 December 2023** | 80.75 | 7,062,623 |
| **(Unaudited)** | | |
| **As at 1 January 2023** | 59.59 | 5,423,734 |
| Granted | – | – |
| Forfeited | 60.19 | (9,498) |
| Granted to Dr. Lu Chuan *(i)* | 109.49 | 51,215 |
| **As at 30 September 2023** | 60.05 | 5,465,451 |
| **(Unaudited)** | | |
| **As at 1 January 2024** | 80.75 | 7,062,623 |
| Granted | – | – |
| Forfeited | 30.78 | (121,225) |
| Granted to Dr. Lu Chuan *(i)* | 162.67 | 51,816 |
| **As at 30 September 2024** | 82.22 | 6,993,214 |

(i) During the year ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024, certain shareholders other than Dr. Lu Chuan granted share awards to employees, and Dr. Lu Chuan purchased back the shares when awarded shares were forfeited. The fair value of purchased back shares were determined by reference to the fair value of the underlying ordinary shares of the Company on the respective dates of purchase. The increase between the fair value and the purchase price was treated as incentive for Dr. Lu Chuan. There was no vesting conditions for Dr.Lu Chuan' purchased back shares, therefore these shares were not restricted shares.

**(b) Fair value of awarded shares**

The fair value of restricted shares at the grant date was determined by reference to the fair value of the underlying ordinary shares of the Company on the respective dates of grant.

Restricted shares of the Company outstanding at the end of the year/period have the following vesting period and exercise prices:

| | | | Number of restricted shares | | |
|---|---|---|---|---|---|
| Grant date | Vesting period | Exercise price | As at December 31, 2022 | As at December 31, 2023 | As at September 30, 2024 |
| | | | | | *(Unaudited)* |
| 15/03/2019 | 3 years' service | 0.08 | – | – | – |
| 08/10/2019 | 2 years' service and non-market performance condition | 2.91 | – | – | – |
| 07/11/2019 | 2 years' service and non-market performance condition | 2.91 | – | – | – |
| 07/12/2020 | 5 years' service or upon [REDACTED], whichever later | 7.26 | 595,186 | 516,615 | 410,383 |
| 08/03/2022 | 5 years' service or upon [REDACTED], whichever later | 10.48 | 1,999 | 1,999 | 1,999 |
| 09/03/2022 | 5 years' service or upon [REDACTED], whichever later | 10.48 | 9,997 | 9,997 | 9,997 |
| 11/03/2022 | 5 years' service or upon [REDACTED], whichever later | 10.48 | – | – | – |
| 14/03/2022 | 5 years' service or upon [REDACTED], whichever later | 10.48 | 49,983 | 23,992 | 12,996 |
| 18/05/2022 | 5 years' service or upon [REDACTED], whichever later | 10.48 | 132,750 | 90,964 | 86,967 |
| 29/11/2022 | 5 years' service or upon [REDACTED], whichever later | 13.94 | 1,530,208 | 1,530,208 | 1,530,208 |
| 23/12/2023 | 5 years' service or upon [REDACTED], whichever later | 26.16 | 1,709,893 | 1,709,893 | 1,709,893 |

**(c) Expenses arising from share-based payment transactions**

The amounts of share-based payments were charged to the following categories in the consolidated statements of comprehensive loss:

| | Year ended 31 December | | Nine months ended 30 September | |
|---|---|---|---|---|
| | 2022 | 2023 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* *(Unaudited)* | *RMB'000* *(Unaudited)* |
| Shares granted to Incentive targets | | | | |
| Selling and marketing expenses | 693 | 407 | 321 | 11 |
| General and administrative expenses | 7,862 | 34,763 | 26,393 | 27,431 |
| Research and development expenses | 2,988 | 5,186 | 2,483 | 34,445 |
| Shares granted to Dr. Lu Chuan *(i)* | | | | |
| General and administrative expenses | 12,074 | 8,254 | 5,608 | 8,429 |
| | 23,617 | 48,610 | 34,805 | 70,316 |

## 33 BORROWINGS

### (a) The Group

| | As at 31 December | | As at 30 September |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **Non-current:** | | | |
| Long-term borrowings | 9,960 | 9,940 | – |
| **Current:** | | | |
| Current portion of long-term borrowings | 20 | 20 | 9,950 |
| Short term bank borrowings, unsecured | 35,880 | 55,000 | 90,000 |
| Short term bank borrowings, secured *(a)* | – | 10,000 | – |
| **Total borrowings:** | 45,860 | 74,960 | 99,950 |

As at 31 December 2022, 2023 and 30 September 2024, the weighted interest rates of bank borrowing were 3.10%, 3.30%, and 3.20% respectively.

(a) As at 31 December 2023, the Group's short term bank borrowings of RMB10,000,000 was secured by the pledge of the Group's patent right.

The maturity of borrowings of the Group is as follows:

| | As at 31 December | | As at 30 September |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Within 1 year | 35,900 | 65,020 | 99,950 |
| 1 to 2 years | 20 | 9,940 | – |
| 2 to 5 years | 9,940 | – | – |
| | 45,860 | 74,960 | 99,950 |

### (b) The Company

| | As at 31 December | | As at 30 September |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **Non-current:** | | | |
| Long-term borrowings | 9,960 | 9,940 | – |
| **Current:** | | | |
| Current portion of long-term borrowings | 20 | 20 | 9,950 |
| Short term bank borrowings, unsecured | 35,880 | 55,000 | 85,000 |
| **Total borrowings:** | 45,860 | 64,960 | 94,950 |

## 34 DEFERRED GOVERNMENT GRANTS

| | As at 31 December | | As at 30 September |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Deferred government grants | 592 | 2,993 | 2,716 |

During the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024, the Group received cash subsidies of RMB12,767,000, RMB27,904,000, RMB18,146,000 and RMB2,493,000 respectively, from the local government with conditions to be fulfilled. During the year ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024, the Group satisfied part of the conditions. As a result, the Group recognised approximately RMB13,097,000, RMB25,503,000, RMB15,455,000, and RMB2,770,000 as "Other income" (Note 9), respectively, during the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024, and the remaining balance was recorded in deferred government grants.

## 35 TRADE AND OTHER PAYABLES

### (a) The Group

| | As at 31 December | | As at 30 September |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Notes payables | 14,000 | 7,045 | 24,242 |
| Trade payables – related parties | – | 3,509 | 684 |
| Trade payables – third parties | 40,375 | 246,929 | 244,649 |
| Other payables – related parties | 2 | 50 | 176 |
| Other payables – purchase of property, plant and equipment | 1,007 | 177,423 | 194,511 |
| Other payables – purchase on behalf of customers as an agency | 2,137 | 25,525 | 15,961 |
| Other payables – accrued [REDACTED] expenses | [REDACTED] | [REDACTED] | [REDACTED] |
| Other payables – others | 4,356 | 10,094 | 2,825 |
| Staff salaries and welfare payables | 10,559 | 17,344 | 10,231 |
| Accrued taxes other than income tax | 4,056 | 14,545 | 18,729 |
| | 76,492 | 502,464 | 518,779 |

As at 31 December 2022, 2023 and 30 September 2024, all trade and other payables of the Group were non-interest bearing, and their carrying amounts, excluding the provision for litigations, staff salaries and welfare payables and accrued taxes other than income tax which are not financial liabilities, approximated their fair values due to their short maturities.

Aging analysis of the trade payables based on transaction date at the respective balance sheet dates were as follows:

| | As at 31 December | | As at 30 September |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Within 1 year | 30,359 | 221,888 | 204,083 |
| 1-2 years | 1,312 | 25,188 | 37,884 |
| 2-3 years | 8,331 | 869 | 1,129 |
| Over 3 years | 373 | 2,493 | 2,237 |
| | 40,375 | 250,438 | 245,333 |

**(b) The Company**

| | As at 31 December | | As at 30 September |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Notes payables | 14,000 | 17,045 | 18,007 |
| Trade payables – related parties | 25,502 | 29,445 | 63,076 |
| Trade payables – third parties | 14,281 | 130,370 | 162,039 |
| Other payables – related parties | – | 3,113 | 47,461 |
| Other payables – purchase of property, plant and equipment | – | 176,885 | 186,429 |
| Other payables – purchase on behalf of customers as an agency | 992 | 8,029 | 3,668 |
| Other payables – accrued [REDACTED] expenses | [REDACTED] | [REDACTED] | [REDACTED] |
| Other payables – others | 3,889 | 5,767 | 971 |
| Staff salaries and welfare payables | 3,574 | 6,847 | 1,944 |
| Accrued taxes other than income tax | 3,405 | 616 | 3,439 |
| | 65,643 | 378,117 | 493,805 |

Aging analysis of the trade payables based on transaction date at the respective balance sheet dates were as follows:

| | As at 31 December | | As at 30 September |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Within 1 year | 31,193 | 133,926 | 190,447 |
| 1-2 years | 2,044 | 25,449 | 34,243 |
| 2-3 years | 6,528 | 175 | 425 |
| Over 3 years | 18 | 265 | – |
| | 39,783 | 159,815 | 225,115 |

## 36 CASH GENERATED FROM OPERATIONS

**(a) Reconciliation of loss before income tax to net cash generated from operations**

| | Year ended 31 December | | Nine months ended 30 September | |
|---|---|---|---|---|
| | 2022 | 2023 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* *(Unaudited)* | *RMB'000* *(Unaudited)* |
| Loss before income tax for the year/period | (90,901) | (139,174) | (111,278) | (213,674) |
| Adjustments for: | | | | |
| – Depreciation of property, plant and equipment *(Note 15)* | 10,531 | 13,588 | 8,711 | 19,934 |
| – Amortization of right-of-use assets *(Note 16)* | 3,380 | 3,525 | 2,440 | 3,923 |
| – Amortization of intangible assets *(Note 18)* | 989 | 2,785 | 1,901 | 2,974 |
| – Loss/(gain) on disposal of property, plant and equipment *(Note 10)* | 72 | (98) | (98) | 16,476 |

| | Year ended 31 December | | Nine months ended 30 September | |
|---|---|---|---|---|
| | 2022 | 2023 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* (*Unaudited*) | *RMB'000* (*Unaudited*) |
| – Gain on early termination of right-of-use assets *(Note 10)* | (23) | (26) | (26) | – |
| – Provision for loss allowance of receivables *(Note 3.1)* | 6,835 | 20,758 | 6,263 | 3,654 |
| – Share of loss of investments accounted for using equity method *(Note 19)* | – | 710 | 522 | 823 |
| – Share-based payments for employees *(Note 32)* | 23,617 | 48,610 | 34,805 | 70,316 |
| – Finance costs *(Note 11)* | 415 | 1,508 | 1,216 | 1,394 |
| – Net fair value gain of financial assets at FVPL *(Note 10)* | (2,174) | (1,370) | (2,412) | – |
| – Investment income from financial assets at FVPL *(Note 10)* | (7,653) | (11,203) | (7,068) | (938) |
| – Loss from disposal of investments in a subsidiary | – | – | – | 320 |
| Changes in working capital: | | | | |
| – Restricted bank deposits | – | (20,051) | (4,013) | (9,367) |
| – Trade receivables | (99,867) | (393,770) | (54,030) | (13,716) |
| – Other receivables | 8,874 | (92,704) | (38,993) | 27,489 |
| – Prepayments and other current assets | (17,357) | (4,607) | (52,751) | (7,002) |
| – Inventories | 25,004 | (30,516) | (70,167) | (56,174) |
| – Contract asset | (1,074) | (710) | (5,408) | (19,431) |
| – Deferred government grants | (330) | 121 | 2,691 | (277) |
| – Trade and other payables | 26,132 | 249,340 | 54,653 | 7,093 |
| – Contract liabilities | (621) | 39,084 | 32,264 | 2,734 |
| Cash used in operations | (114,151) | (314,200) | (200,778) | (163,449) |

**(b) Major non-cash transactions**

The major non-cash investing and financing transactions during the years ended 31 December 2022, 2023 and the nine months ended 30 September 2023 and 2024 mainly include the additions of the right-of-use assets and lease liabilities described in Note 16.

**(c) Net debt reconciliation**

| | As at 31 December | | As at 30 September |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Cash and cash equivalents | 38,025 | 144,642 | 140,178 |
| Lease liabilities | (4,572) | (8,488) | (11,742) |
| Bank borrowings | (45,860) | (74,960) | (99,950) |
| Net debt | (12,407) | 61,194 | 28,486 |

| | Cash and cash equivalents | Lease liabilities | Bank borrowings | Total |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| As at 1 January 2022 | 24,392 | (7,003) | – | 17,389 |
| Cash flows | 13,633 | 2,752 | (45,860) | (29,475) |
| Interest expenses | – | (206) | – | (206) |
| Other non-cash movements | – | (115) | – | (115) |
| As at 31 December 2022 | 38,025 | (4,572) | (45,860) | (12,407) |
| As at 1 January 2023 | 38,025 | (4,572) | (45,860) | (12,407) |
| Cash flows | 106,617 | 2,767 | (34,100) | 75,284 |
| Interest expenses | – | (238) | – | (238) |
| Other non-cash movements | – | (6,445) | 5,000 | (1,445) |
| As at 31 December 2023 | 144,642 | (8,488) | (74,960) | 61,194 |
| As at 1 January 2023 | 38,025 | (4,572) | (45,860) | (12,407) |
| Cash flows | 20,403 | 2,436 | (19,506) | 3,333 |
| Interest expenses | – | (156) | – | (156) |
| Other non-cash movements | – | (4,830) | 5,000 | 170 |
| As at 30 September 2023 (Unaudited) | 58,428 | (7,122) | (60,366) | (9,060) |
| As at 1 January 2024 | 144,642 | (8,488) | (74,960) | 61,194 |
| Cash flows | (4,464) | 2,255 | (24,990) | (27,199) |
| Interest expenses | – | (342) | – | (342) |
| Other non-cash movements | – | (5,167) | – | (5,167) |
| As at 30 September 2024 (Unaudited) | 140,178 | (11,742) | (99,950) | 28,486 |

## 37 COMMITMENTS

### (a) Capital commitments

| | As at 31 December | | As at 30 September |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Property, plant and equipment | – | 62,596 | 48,908 |

Other than the contractual obligations set forth above and disclosure set forth elsewhere in this document, the Group do not have any other long-term debt obligations, operating lease commitments, capital commitments or other long-term liabilities.

### (b) Operating lease commitments

No operating lease contracted for at 31 December 2022, 2023, and 30 September 2024 but not yet incurred.

## 38 CONTINGENCIES

The Group did not have any material contingent liabilities as at 31 December 2022, 2023 and 30 September 2024.

## 39 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in holding power over the investee; exposure or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

**(a) The directors of the Company are of the view that the following parties/companies were related parties that had transaction or balances with the Group during the year ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024:**

| Name | Relationships with the Group |
|---|---|
| Zhongxin Shuzi Technology (Chengdu) Co. Ltd | Associate since 1 April 2024 *(Note (13))* |
| Beijing Space-park Technology Co. Ltd | Entity controlled by ultimate controlling shareholder |
| Nanjing Lingtan New Energy Technology Co. Ltd | Entity controlled by ultimate controlling shareholder |
| Shenzhen Ultra Time Explore Technology Co. Ltd | Entity controlled by ultimate controlling shareholder |
| Tai'an Guoxing Dongyue Zhihui Technology Co. Ltd | Joint venture *(Note (13))* |

**(b) Transactions with related parties**

***Operating activities***

| | Year ended 31 December | | Nine months ended 30 September | |
|---|---|---|---|---|
| | 2022 | 2023 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Rendering services** | | | | |
| Beijing Space-park Technology Co. Ltd | 9,368 | 4,621 | – | 807 |
| Nanjing Lingtan New Energy Technology Co. Ltd | – | 1,828 | – | – |
| | 9,368 | 6,449 | – | 807 |
| **Purchase of goods and services** | | | | |
| Beijing Space-park Technology Co. Ltd | 1,770 | 14,322 | 5,319 | 227 |
| Shenzhen Ultra Time Explore Technology Co. Ltd | – | – | – | 77 |
| | 1,770 | 14,322 | 5,319 | 304 |

The prices for the above service fees were determined in accordance with the terms mutually agreed by the contract parties.

**(c) Year-end balances with related parties**

***(i) Trade balances with related parties***

| | As at 31 December | | As at 30 September |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **Trade receivables** | | | |
| Beijing Space-park Technology Co. Ltd | 18,265 | 23,371 | 24,247 |
| Nanjing Lingtan New Energy Technology Co. Ltd | – | 2,010 | 2,010 |
| | 18,265 | 25,381 | 26,257 |

As at 31 December 2022 and 2023 and 30 September 2024, the carrying amount of such receivables were RMB18,265,000, RMB25,381,000,000 and RMB26,257,000 and the allowance provision were RMB661,000, RMB982,000 and RMB1,040,000, respectively.

| | | | |
|---|---|---|---|
| **Prepayments** | | | |
| Beijing Space-park Technology Co. Ltd | – | 62 | – |
| **Trade payables** | | | |
| Beijing Space-park Technology Co. Ltd | – | 3,509 | 684 |

***(ii) Non-trade balances with related parties***

| | As at 31 December | | As at 30 September |
|---|---|---|---|
| | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* *Unaudited* |
| **Other receivables** | | | |
| Beijing Space-park Technology Co. Ltd | 33 | 152 | 401 |
| Tai'an Guoxing Dongyue Zhihui Technology Co. Ltd | – | – | 135 |
| | 33 | 152 | 536 |

As at 31 December 2022, 2023 and 30 September 2024, the carrying amount of other receivables were RMB33,000, RMB152,000 and RMB536,000, and the allowance provision were RMB1,000, RMB4,000 and RMB16,000 respectively.

| | | | |
|---|---|---|---|
| **Other payables** | | | |
| Beijing Space-park Technology Co. Ltd | – | 48 | 142 |
| Zhongxin Shuzi Technology (Chengdu) Co. Ltd | – | – | 32 |
| Shenzhen Ultra Time Explore Technology Co. Ltd | 2 | 2 | 2 |
| | 2 | 50 | 176 |

The above trade and non-trade balances with related parties were mainly denominated in RMB. They were unsecure, trade in nature and non-interest bearing.

**(d) Key management compensation**

Compensations for key management other than those for directors is set out below.

| | Year ended 31 December | | Nine months ended 30 September | |
|---|---|---|---|---|
| | 2022 | 2023 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Wages, salaries and bonus | 1,517 | 2,925 | 1,293 | 3,300 |
| Pension costs, housing funds, medical insurances and other social insurances | 91 | 93 | 68 | 116 |
| Share-based payments for employees | 442 | 803 | 194 | 3,995 |
| | 2,050 | 3,821 | 1,555 | 7,411 |

**40 SUBSEQUENT EVENTS**

The Company entered into a capital increase agreement with several independent investors, pursuant to which the investors made capital injection of RMB572,500,000 in the Company as consideration for subscription of 3,091,127 shares of the Company. The Company has received all of the capital injection by 26 December 2024.

## III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to [30 September 2024].

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

**[REDACTED]**

[**REDACTED**]

*The following is the text of a letter, summary of values and valuation certificate, prepared for the purpose of incorporation in this document received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 30 November 2024 of the property interest of the Company.*

JLL
仲量聯行

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Company Licence No.: C-030171

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公司牌照號碼：C-030171

[●] January 2025

The Board of Directors
**Adaspace Technology Co., Ltd.**
1/F, Building 4
No. 1699 Jinhe Road
China (Sichuan) Pilot Free Trade Zone
Chengdu
The People's Republic of China

Dear Sirs,

In accordance with your instructions to value the property in which Adaspace Technology Co., Ltd. (成都国星宇航科技股份有限公司, the "**Company**") and its subsidiaries (hereinafter together referred to as the "**Group**") have interest in the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interest as at 30 November 2024 (the "**valuation date**").

Our valuation is carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion".

The property was bought by the Company in bare shell condition in 2023. As at the valuation date, the Company has carried out decoration and renovation of the property since its acquisition. Portions of the property have been transformed into exhibition hall, portions of the property have been transformed into clean laboratory, and the remaining portions have been transformed into decorated office areas held for self-occupation by the Company and held for investment. Due to the Company's business being related to aerospace technology, the decoration style of this property is quite unique. For example, the exhibition hall simulates the internal layout of a spacecraft and is divided into display area, control center workspace, leisure area, etc.; the clean laboratory is a constant temperature, constant humidity, Class 100,000 clean room, with work areas including satellite assembly area, satellite thermal system and energy system development area, as well as satellite component development and environmental testing area; most of the office areas are decorated with blue partition glass, blue carpets and celestial images. There are few sales or rental properties in the market that have similar decoration conditions to this property. Therefore, we adopted a two-step approach to value the property. Firstly, we have valued the property interest assuming in bare shell condition by income approach by taking into account the net rental income of the property derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the market value at an appropriate capitalisation rate. Where appropriate, reference has also been made to the comparable sale transactions as available in the relevant market. Secondly, we have considered the costs of decoration and renovation to the value calculated by the income approach. We have taken into account the cost information on the decoration and renovation construction contracts entered between the Company and third parties as at the valuation date, and the physical state of decoration in our valuation.

Our valuation has been made on the assumption that the seller sells the property interest in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interest.

No allowance has been made in our report for any charges, mortgages or amounts owing on the property interest valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

In valuing the property interest, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited; the RICS Valuation — Global Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as planning approvals, statutory notices, easements and all other relevant matters.

We have been shown copies of title documents including property sales contract, tenancy agreements and other title documents relating to the property interests and have made relevant enquiries. However, we have not examined the original documents and assumed that the copies of the documents obtained are consistent with their originals. We have relied considerably on the advice given by the Company's PRC Legal Advisor — Haiwen & Partners, concerning the validity of the property interest in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the property but have assumed that the areas shown on the documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the property. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the property is free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

Inspection of the property was carried out on 29 November 2024 by Cyndi Huang, who is a Chartered Surveyor and a China Real Estate Appraiser and has more than 12 years' experience in the valuation of properties in the PRC.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our summary of values and valuation certificate is attached below for your attention.

Yours faithfully,
For and on behalf of
**Jones Lang LaSalle Corporate Appraisal and Advisory Limited**
**Eddie T. W. Yiu**
*MRICS MHKIS R.P.S. (GP)*
*Senior Director*

*Note:* Eddie T.W. Yiu is a Chartered Surveyor who has 31 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

## SUMMARY OF VALUES

**Group I — Property interest held for self-occupation by the Company in the PRC**

| No. | Property | Market value in existing state as at 30 November 2024 |
|---|---|---|
| | | *RMB* |
| 1. | 52 units of Building 4, Zone E<br>Phase II of Artificial Intelligence<br>Innovation Center<br>located at<br>No. 1699 Jinhe Road<br>High-tech Zone<br>Chengdu<br>Sichuan Province<br>The PRC<br>(人工智能創新中心二期E區4棟52個單元) | [No commercial value]<br>(see note 1) |
| | **Sub-total:** | **[No commercial value]** |

**Group II — Property interest held for investment by the Company in the PRC**

| No. | Property | Market value in existing state as at 30 November 2024 |
|---|---|---|
| | | *RMB* |
| 2. | 8 units of Building 4, Zone E<br>Phase II of Artificial Intelligence<br>Innovation Center<br>located at<br>No. 1699 Jinhe Road<br>High-tech Zone<br>Chengdu<br>Sichuan Province<br>The PRC<br>(人工智能創新中心二期E區4棟8個單元) | [No commercial value]<br>(see note 2) |
| | **Sub-total:** | **[No commercial value]** |
| | **Grand total:** | **[No commercial value]** |

*Notes:*

1. As at the valuation date, Group I of the property has not obtained any title certificate. Therefore we have attributed no commercial value to it. However, for reference purpose, we are of the opinion that the market value of Group I of the property as at the valuation date would be [RMB317,000,000] assuming all relevant title certificates have been obtained and the units could be freely transferred.

2. As at the valuation date, Group II of the property has not obtained any title certificate. Therefore we have attributed no commercial value to it. However, for reference purpose, we are of the opinion that the market value of Group II of the property as at the valuation date would be [RMB49,000,000] assuming all relevant title certificates have been obtained and the units could be freely transferred.

## VALUATION CERTIFICATE

| Property | Description and tenure | Particulars of occupancy | Market value in existing state as at 30 November 2024 |
|---|---|---|---|
| | | | *RMB* |
| 60 units of Building 4, Zone E, Phase II of Artificial Intelligence Innovation Center located at No. 1699 Jinhe Road High-tech Zone, Chengdu, Sichuan Province, The PRC (人工智能創新中心二期E區4棟60個單元) | Phase II of Artificial Intelligence Innovation Center is an office use development which comprises Zones D, E and F. These zones are adjacent to Xincheng Avenue. Zone E is located at the southwest corner of the intersection of Xincheng Avenue and Xincheng South 1st Road. Building 4 is located in the north-eastern part of Zone E. Zone E is situated in the Xinchuan area of Chengdu High-tech Zone, about 2 kilometers away from the heart of Xinchuan. The locality is a newly developed area where public facilities such as municipal facilities and amenities are under further development. There are several residential projects around Phase II of Artificial Intelligence Innovation Center. Most of them are developed by Chengdu High-Tech Investment Group Co., Ltd.<br><br>The property comprises a unit of Level 1 and the entire floors of Level 2 to 16 of Building 4, Zone E. Completed in 2023, Building 4 is an 18-storey office and research building with 16 stories aboveground and 2 stories underground. The total gross floor area of the property is approximately 25,045.11 sq.m. and is partly categorized as held for self-occupation by the Company (Group I) and partly held for investment by the Company (Group II) (see note 7). The details of which as at the valuation date are set out in note 2.<br><br>The property was bought by the Company in bare shell condition in 2023. As at the valuation date, the company has carried out decoration and renovation of the property since its acquisition. Portions of the property have been transformed into exhibition hall, portions of the property have been transformed into clean laboratory, and most of the remaining portions have been transformed into decorated office areas.<br><br>The land use rights of the property have been granted for a term expiring on 4 February 2061 for commercial and service uses. | As at the valuation date, 28 units of the property with a total gross floor area of approximately 11,747.92 sq.m. were occupied by the Company for self-use, 8 units of the property with a total gross floor area of approximately 3,297.91 sq.m. were rented to independent third parties for office use, and the remaining 24 units with a total gross floor area of approximately 9,999.28 sq.m. of the property were vacant. | [No commercial value] |

*Notes:*

1. Pursuant to a Property Sale Contract dated 19 December 2023, the property with a total gross floor area of approximately 25,045.11 sq.m. was contracted to be purchased by the Company at a total consideration of RMB320,577,408.

2. According to the information provided by the Company, the details of the property as at the valuation date are set out as below:

| Usage | Floor | GFA | No. of Units |
|---|---|---|---|
| | | *(sq.m.)* | |
| Office | L1 to L4 | 5,033.10 | 12 |
| Research office | L5 to L16 | 20,012.01 | 48 |
| **Total:** | | **25,045.11** | **60** |

3. Pursuant to 6 Decoration/Renovation Construction Contracts, 3 Decoration Design Contracts, a Decoration Supervision Contract, a Consulting Service Contract, an Intelligent Building System Installation Contract and a Computer Room Construction Contract entered between the Company and several third parties, the total decoration and renovation costs (inclusive of decoration consulting, design and supervision) of the property was RMB80,236,000.

4. According to 2 Tenancy Agreements, 8 research office units of the property with a total gross floor area of approximately 3,297.91 sq.m. are rented to two independent third parties for various terms with the expiry date between 19 September 2025 and 19 September 2026 at a monthly rent of RMB257,236.98, exclusive of management fees, water and electricity charges.

5. Our valuation has been made on the following basis and analysis:

   a. in valuing the property, we have considered the actual rents in the existing tenancy agreements and also compared similar properties located in the same business circle and/or nearby within reasonable walking distance. We adopted market rents when calculating (i) the reversionary rental income after the expiry of the existing tenancy agreements for occupied area, and (ii) the rental income of vacant area;

   b. as at the valuation date, the monthly unit rents of the comparable properties ranged from RMB52 to RMB65 per sq.m. for office/research office units, appropriate adjustments and analysis are considered to the differences in several aspects including nature, location, decoration, layout, year of completion and other characters between the comparables and the property to arrive at the market value. We summed up the adjustment factors to reach the total adjustment. The general basis of adjustment is that if the comparable property is superior to the property, a downward adjustment is made. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Based on the analysis of the comparables, the monthly market unit rent of the property as at the valuation date is approximately RMB61 per sq.m.

   c. based on our research, the stabilized market yields of similar retail properties, office/research office properties are in the range of 4.0% to 4.5%. Considering the location and characteristics of the property, we have applied a market yield of 4.25% for office/research office units in the valuation.

6. As at the valuation date, the property has not obtained any title certificate. Therefore we have attributed no commercial value to the property. However, for reference purpose, we are of the opinion that the market value of the property as at the valuation date would be [RMB366,000,000] assuming all relevant title certificates have been obtained and the units could be freely transferred.

7. As at the valuation date, 52 units of the property with a total gross floor area of approximately 21,747.20 sq.m. were held for self-occupation by the Company. The other 8 units of the property with a total gross floor area of approximately 3,297.91 sq.m. were held for investment by the Company. Therefore, the property was classified into two groups by the purpose of holding. The details and market value of these two groups of the property as at the valuation date are set out as below:

| Group | Floor | GFA | No. of Units | Market value in existing state as at 30 November 2024 |
|---|---|---|---|---|
| | | *(sq.m.)* | | *RMB* |
| I – Held for self-occupation by the Company . . . . . . | L1 to L6, L9 to L16 | 21,747.20 | 52 | **[No commercial value]** |
| II – Held for investment by the Company . . . . . . | L7 to L8 | 3,297.91 | 8 | **[No commercial value]** |
| **Total:** . . . . . . . . . | | **25,045.11** | **60** | **[No commercial value]** |

As at the valuation date, the two groups of the property have not obtained any title certificate. Therefore, we have attributed no commercial value to them. However, for reference purpose, we are of the opinion that the market value of Group I of the property as at the valuation date would be [RMB317,000,000] and market value of Group II of the property as at the valuation date would be [RMB49,000,000], assuming all relevant title certificates have been obtained and the units could be freely transferred.

8. We have been provided with a legal opinion regarding the property interest by the Company's PRC Legal Advisor, which contains, *inter alia*, the following:

   a. The Company is in the process of obtaining property ownership certificate for the property, which does not have any property disputes, mortgages and seals and freezes.

## PRC TAXATION

Income tax and capital gains tax of holders of the H shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of the H Shares are resident or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current law and practice and has not taken into account the expected change or amendment to the relevant laws or policies. The discussion has no intention to cover all possible tax consequences resulting from the investment in H Shares, nor does it take the specific circumstances of any particular investor into account, some of which may be subject to special regulations. Accordingly, you should consult your own tax advisor regarding the tax consequences of an investment in H Shares. The discussion is based upon laws and relevant interpretations in effect as of the date of the Latest Practicable Date, which is subject to change and may have retrospective effect.

### Taxation on Dividends

#### *Individual Investors*

Under the provisions of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》), last amended on August 31, 2018, and the Regulations on Implementation of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》), last amended on December 18, 2018 (collectively referred to as the "IIT Law"), dividends disbursed by Chinese enterprises are subject to a flat individual income tax rate of 20%. For foreign individuals who are not residents of China, dividends received from a Chinese enterprise are generally taxed at 20%, unless there are specific exemptions granted by the State Council's tax authority or reductions under an applicable tax treaty.

According to the Announcement of State Taxation Administration on Promulgation of the Administrative Measures on Non-resident Taxpayers Enjoying Treaty Benefits (《國家稅務總局關於發佈<非居民納稅人享受協定待遇管理辦法>的公告》), which came into effect on 1 January 2020, non-resident taxpayers claiming treaty benefits shall be handled in accordance with the principles of "self-assessment, claiming benefits, retention of the relevant materials for future inspection". Where a non-resident taxpayer self-assesses and concludes that it satisfies the criteria for claiming treaty benefits, it may enjoy treaty benefits at the time of tax declaration or at the time of withholding through the withholding agent, simultaneously gather and retain the relevant materials pursuant to the provisions of these Measures for future inspection, and accept follow-up administration by the tax authorities. For withholding at source and designated withholding, a non-resident taxpayer asserting that it satisfies the criteria for claiming treaty benefits and need to claim such benefits shall complete an "Information Report on Non-resident Taxpayers Claiming Treaty Benefits" truthfully, submit to the withholding agent voluntarily, gather and retain the relevant materials pursuant to the relevant provisions.

In accordance with the Arrangement between the Mainland and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), signed on August 21, 2006, the PRC Government has the authority to impose taxes on dividends paid by a PRC company to Hong Kong residents, including both natural persons and legal entities. The tax levied shall not exceed 10% of the total dividends payable by the PRC company. However, if a Hong Kong resident directly holds 25% or more of the equity interest in a PRC company and meets certain conditions as the beneficial owner of the equity, the tax imposed shall not exceed 5% of the total dividends payable by the PRC company.

The Fifth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《<內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排>第五議定書》), in effect since December 6, 2019, introduces specific criteria determining entitlement to treaty benefits. According to this protocol, treaty benefits will not be granted if, upon careful consideration of all relevant facts and conditions, it is reasonably determined that obtaining these benefits was a primary purpose of the arrangement or transactions, thereby providing direct or indirect benefits under the Arrangement. Exceptions are made when such benefits align with the Arrangement's relevant objectives and goals.

Additionally, the application of the dividend clause of tax agreements is bound by the stipulations outlined in the PRC tax laws and regulations, including the guidelines specified in the Notice of the State Taxation Administration on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) (Guo Shui Han [2009] No. 81). Compliance with these regulations is essential in determining the taxation applicable to dividends under the Arrangement.

***Enterprise Investors***

Pursuant to the provisions outlined in the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》), enacted by the National People's Congress of the PRC (NPC) on March 16, 2007, and enforced from January 1, 2008, subsequently amended on February 24, 2017, and December 29, 2018, and in alignment with the Implementation Provisions of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), promulgated by the State Council on December 6, 2007, and effective from January 1, 2008, amended in 2024 (collectively referred to as the "EIT Law"), it is established that a non-resident enterprise is generally liable to a 10% enterprise income tax on income sourced within the PRC. Such income includes dividends and bonuses received from a PRC resident enterprise. This taxation applies to non-resident enterprises that lack a physical establishment or premises in the PRC. Alternatively, if an establishment or premise exists within the PRC, but the PRC-sourced income is unrelated to said establishment or premise, it is subject to the aforementioned taxation.

The withholding tax for non-resident enterprises is mandated to be deducted at the source, whereby the entity making the payment assumes the role of the withholding agent. Consequently, the withholding agent is obligated to withhold the income tax from the payment or due payment each time it is disbursed or becomes due.

The Circular of the State Taxation Administration (STA) on Issues Relating to the Withholding and Remitting of Enterprise Income Tax on Dividends Paid by PRC Resident Enterprises to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (《國家税務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得税有關問題的通知》) (Guo Shui Han [2008] No. 897), which was issued by the STA and implemented on November 6, 2008, further clarified that a PRC-resident enterprise must withhold corporate income tax at a rate flat of 10% on the dividends of 2008 and onwards that it distributes to overseas non-resident enterprise shareholders of H Shares. In addition, the Response to Issues on Levying Enterprise Income Tax on Dividends Derived by Non-resident Enterprise from Holding Stock such as B-shares (《關於非居民企業取得B股等股票股息徵收企業所得税問題的批覆》) (Guo Shui Han [2009] No. 394) which was issued by the STA and implemented on July 24, 2009, further provides that any PRC-resident enterprise that is listed on overseas stock exchanges must withhold enterprise income tax at a rate of 10% on dividends of 2008 and onwards that it distributes to non-resident enterprises. Such tax rates may be further changed pursuant to the tax treaty or agreement that China has concluded with relevant jurisdictions, where applicable. Accordingly, dividends paid to non-PRC resident enterprise (including HKSCC Nominees) shall be subject to withholding enterprise income tax at a rate of 10%.

In accordance with the Arrangement between the Mainland and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》) signed on August 21, 2006, the PRC Government is authorized to impose taxes on dividends disbursed by a PRC company to Hong Kong residents, including both individuals and legal entities, not exceeding 10% of the total dividends payable by the PRC company. If a Hong Kong resident directly holds 25% or more of the equity interest in a PRC company, the tax shall not surpass 5% of the total dividends if the Hong Kong resident qualifies as the beneficial owner of the equity, and specific conditions are met.

Furthermore, the Fifth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《<內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排>第五議定書》), effective from December 6, 2019, introduces additional criteria for qualifying for treaty benefits. While other provisions may exist within the Arrangement, treaty benefits shall not be granted for relevant gains if, based on all relevant facts and conditions, it is reasonably determined that one of the main purposes of the arrangement or transactions, which result in direct or indirect benefits under the Arrangement, is to obtain such treaty benefits. This exception applies unless the grant of benefits aligns with the objectives and goals outlined in the Arrangement.

It is important to note that the application of the dividend clause of tax agreements is contingent upon compliance with PRC tax laws and regulations, including the guidelines provided in the Notice of the State Taxation Administration on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) (Guo Shui Han [2009] No. 81).

*Tax Treaties*

Non-resident investors residing in jurisdictions that have established treaties or arrangements for the avoidance of double taxation with the PRC may qualify for a reduction in the PRC enterprise income tax levied on dividends received from PRC companies. Currently, the PRC has entered into Avoidance of Double Taxation Treaties or Arrangements with several countries and regions, including the Hong Kong Special Administrative Region, Macau Special Administrative Region, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom, and the United States.

Non-PRC resident enterprises eligible for preferential tax rates under these relevant taxation treaties or arrangements are required to submit an application to the PRC tax authorities for a refund of the enterprise income tax that exceeds the agreed tax rate. The approval of the refund application is subject to the evaluation and decision of the PRC tax authorities.

**Taxation on Share Transfer**

***Value-Added Tax and Local Surcharges***

Under the guidelines outlined in the Notice on the Full Implementation of the Pilot Program for Transition from Business Tax to Value-Added Tax (《關於全面推開營業稅改徵增值稅試點的通知》) (Cai Shui [2016] No. 36) (referred to as "Circular 36"), effective from May 1, 2016, and subsequently amended on July 11, 2017, December 25, 2017, and March 20, 2019, individuals and entities conducting service transactions within the PRC are obligated to pay Value-Added Tax (VAT). "Sales of services within the PRC" are defined as transactions where either the service provider or the recipient is situated within the PRC.

Furthermore, Circular 36 specifies that the transfer of financial products, including the ownership transfer of marketable securities, is subject to a VAT rate of 6% on the taxable income. Taxable income, in this context, refers to the sales price balance after deducting the purchase price. This VAT obligation applies to both general and foreign VAT taxpayers. Notably, individuals are exempt from VAT obligations when engaging in the transfer of financial products.

As per the aforementioned regulations, non-resident individuals selling or disposing of H shares are exempt from VAT in the PRC. However, if the holders are non-resident enterprises, they may avoid VAT in the PRC only if the buyers of the H shares are individuals or entities located outside of the PRC. Conversely, the holders might be subject to VAT in the PRC if the buyers of the H shares are individuals or entities situated within the PRC.

***Income Taxes***

*Individual investors*

Under the IIT Law, gains arising from the transfer of equity interests in PRC resident enterprises are subject to individual income tax at a rate of 20%. However, in accordance with the Circular of the Ministry of Finance (MOF) and the STA on Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (《財政部、國家稅務總局關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) (Cai Shui Zi [1998] No. 61), issued jointly by the MOF and STA on March 30, 1998, gains obtained by individuals from the transfer of shares of listed companies have been temporarily exempted from individual income tax since January 1, 1997.

However, on December 31, 2009, the MOF, the STA, and the CSRC jointly issued the Circular on Related Issues on Levying Individual Income Tax over the Income Received by Individuals from the Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) (Cai Shui [2009] No. 167). This circular, effective from January 1, 2010, stipulates that individuals' income derived from the transfer of listed shares acquired through public offerings and trading on the Shanghai Stock Exchange and the Shenzhen Stock Exchange remains exempt from individual income tax. This exemption applies to shares not subject to sales restrictions, as defined in the Supplementary Notice on Issues Concerning the Individual Income Tax on Individuals' Income from the Transfer of Restricted Stocks of Listed Companies (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) (Cai Shui [2010] No. 70), jointly issued by the three aforementioned departments and effective from November 10, 2010.

As of the Latest Practicable Date, there are no provisions expressly stating that individual income tax shall be imposed on non-PRC resident individuals for the transfer of shares in PRC resident enterprises listed on overseas stock exchanges.

*Enterprise investors*

In accordance with the Enterprise Income Tax (EIT) Law and the Implementation Provisions of the Enterprise Income Tax Law of the PRC, non-resident enterprises are typically subject to a 10% enterprise income tax on income sourced within the PRC. This includes gains realized from the disposal of equity interests in a PRC resident enterprise. However, this taxation applies only if the non-resident enterprise does not maintain a physical establishment or premises in the PRC, or if it does have such establishments in the PRC, but its PRC-sourced income is not genuinely connected with those establishments.

The withholding of income tax for non-resident enterprises is executed at the source, with the entity making the payment acting as the withholding agent. This withholding agent is obliged to deduct the income tax from each payment or due payment made to the non-resident enterprise. It's important to note that the tax liability may be reduced or exempted in accordance with applicable tax treaties or agreements on the avoidance of double taxation.

***Stamp Duty***

In compliance with the PRC Stamp Duty Law (《中華人民共和國印花稅法》), as issued by the SCNPC on June 10, 2021, and enforced from July 1, 2022 (referred to as the "Stamp Duty Law"), all entities and individuals involved in securities transactions within the PRC are obligated to pay stamp duty as per the regulations outlined in the Stamp Duty Law. Consequently, the stipulations concerning stamp duty applied to the transfer of shares of PRC-listed companies do not extend to the transfer and disposal of H Shares by non-PRC investors outside the PRC.

***Estate duty***

Under prevailing PRC legislation, there is presently no imposition of estate duty within the jurisdiction.

**Major Taxes on the Company in the PRC**

Please refer to the section headed "Regulatory Overview" of this document.

**FOREIGN EXCHANGE**

The lawful currency of the PRC is Renminbi, which is currently subject to foreign exchange control and cannot be freely converted into foreign currency. The SAFE, with the authorization of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

The Regulations of the PRC on the Management of Foreign Exchange (《中華人民共和國外匯管理條例》, the "Regulations on the Management of Foreign Exchange"), which was promulgated by the State Council on January 29, 1996 and effective on April 1, 1996, classifies all international payments and transfers into current items and capital items. Most of the current items are not subject to the approval of foreign exchange administrative authorities, while capital items are subject to the approval of foreign exchange administrative authorities. According to the Regulations on the Management of Foreign Exchange as amended on January 14, 1997 and August 5, 2008, the PRC will not impose any restriction on international current payments and transfers.

The Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》, the "Settlement Regulations"), which was promulgated by the PBOC on June 20, 1996 and effective on July 1, 1996, removes other restrictions on convertibility of foreign exchange under current items, while imposing existing restrictions on foreign exchange transactions under capital items.

According to the Announcement on Improving the Reform of the Renminbi Exchange Rate Formation Mechanism (《關於完善人民幣匯率形成機制改革的公告》) (PBOC Announcement [2005] No. 16), which was issued by the PBOC on July 21, 2005 and effective on the same date, the PRC began to implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies from July 21, 2005. Therefore, the Renminbi exchange rate was no longer pegged to the U.S. dollar. The PBOC would publish the closing price of the exchange rate of the Renminbi against trading currencies such as the U.S. dollar in the interbank foreign exchange market after the closing of the market on each working day, as the central parity of the currency against Renminbi transactions on the following working day.

On August 5, 2008, the State Council promulgated the revised Regulation on the Management of Foreign Exchange, which has made substantial changes to the foreign exchange supervision system of the PRC. First, it has adopted an approach of balancing the inflow and outflow of foreign exchange. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities; second, it has improved the RMB exchange rate formation mechanism based on market supply and demand; third, in the event that international balance of payment suffer or may suffer a material misbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard or control measures against international balance of payment; fourth, it has enhanced the supervision and administration of foreign exchange transactions and grant extensive authorities to the SAFE to enhance its supervisory and administrative powers.

According to the relevant laws and regulations in the PRC, PRC enterprises (including foreign investment enterprises) which need foreign exchange for current item transactions may, without the approval of the foreign exchange administrative authorities, effect payment from foreign exchange accounts opened at the designated foreign exchange banks, on the strength of valid transaction receipt or proof. Foreign investment enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange (such as our Company) may, on the strength of resolutions of the Board of Directors or the shareholders' meeting on the distribution of profits, effect payment from foreign exchange accounts at the designated foreign exchange banks or effect exchange and payment at the designated foreign exchange banks.

On October 23, 2014, the State Council promulgated the Decisions on Matters including Canceling and Adjusting a Batch of Administrative Approval Items (《國務院關於取消和調整一批行政審批項目等事項的決定》) (Guo Fa [2014] No. 50), which decided to cancel the approval requirement of the SAFE and its branches for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares into RMB domestic accounts.

On December 26, 2014, the SAFE promulgated and implemented the Notice of the SAFE on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》) (Hui Fa [2014] No. 54), pursuant to which, a domestic company shall, within 15 business days from the date of the end of its overseas listing issuance, register the overseas listing with the Administration of Foreign Exchange at the place of its establishment; the proceeds from an overseas listing of a domestic company may be remitted to the PRC or deposited overseas, but the use of the proceeds shall be consistent with the contents as specified in the document and other disclosure documents.

According to the Guidelines for the Foreign Exchange Business under the Capital Account (2024) (《資本項目外匯業務指引(2024年版)》) issued by SAFE on April 3, 2024, in principle, the funds raised by overseas listings of domestic companies should be repatriated to China in a timely manner, and can be repatriated in RMB or foreign currency. The use of funds shall be consistent with the relevant contents listed in the prospectus or corporate bond offering documents, shareholder circulars, resolutions of the board of directors or shareholders' meeting and other publicly disclosed documents. Domestic companies using the funds raised from overseas listings to carry out overseas direct investment, overseas securities investment, overseas lending and other businesses shall comply with the relevant foreign exchange management regulations.

According to the Notice of the SAFE on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (Hui Fa [2015] No. 13) promulgated by the SAFE on February 13, 2015 and took effect on June 1, 2015, two of the administrative examination and approval items, being the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment have been canceled, the foreign exchange registration under domestic direct investment and overseas direct investment shall be directly examined and handled by banks. The SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

According to the Notice of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Administration of Foreign Exchange Settlement under Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (Hui Fa [2016] No. 16) issued by the SAFE and came into effect on June 9, 2016, the settlement of foreign exchange receipts under the capital account (including the foreign exchange capital, external debts and funds recovered from overseas listing, etc.) that are subject to discretionary settlement as already specified by relevant policies may be handled at banks based on the domestic institutions' actual requirements for business operation. The proportion of discretionary settlement of domestic institutions' foreign exchange receipts under the capital account is temporarily determined as 100%. The SAFE may, based on the international balance of payments, adjust the aforesaid proportion at appropriate time.

On January 26, 2017, the SAFE issued the Notice of the State Administration of Foreign Exchange on Further Promoting the Reform of Foreign Exchange Administration and Improving the Examination of Authenticity and Compliance (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》) (Hui Fa [2017] No. 3) to further expand the scope of settlement for domestic foreign exchange loans, allow settlement for domestic foreign exchange loans with export background under goods trading; allow repatriation of funds under domestic guaranteed foreign loans for domestic utilization; allow settlement for domestic foreign exchange accounts of foreign institutions operating in the Free Trade Pilot Zones; and adopt the model of full-coverage RMB and foreign currency overseas lending management, where a domestic institution engages in overseas lending, the sum of its outstanding overseas lending in RMB and outstanding overseas lending in foreign currencies shall not exceed 30% of its owner's equity in the audited financial statements of the preceding year.

On October 23, 2019, the SAFE issued the Circular of the State Administration of Foreign Exchange on Further Promoting Cross-border Trade and Investment Facilitation (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) (Hui Fa [2019] No. 28), which stipulated that on the basis that investing foreign-funded enterprises may make domestic equity investments with their capital funds in accordance with laws and regulations, non-investing foreign-funded enterprises are permitted to legally make domestic equity investments with their capital funds under the premise that the existing Special Administrative Measures (Negative List) for the Access of Foreign Investment (《外商投資准入特別管理措施(負面清單)》) are not violated and domestic invested projects are true and compliant.

## PRC LAWS AND REGULATIONS

### The PRC Legal System

The PRC legal system is based on the Constitution of the PRC (the "Constitution") and is made up of written laws, administrative regulations, local regulations, autonomous regulations, separate regulations, rules and regulations of State Council departments, rules and regulations of local governments, laws of special administrative regions and international treaties of which the PRC Government is a signatory, and other regulatory documents. Court judgments do not constitute legally binding precedents, although they are used for the purposes of judicial reference and guidance.

Pursuant to the Constitution and the Legislation Law of the PRC (《中華人民共和國立法法》) (the "Legislation Law"), the NPC and SCNPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend the basic laws governing criminal and civil matters, State institutions and other matters. The SCNPC formulates and amends laws other than those required to be enacted by the NPC and to supplement and amend parts of the laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of state administration and has the power to formulate administrative regulations based on the Constitution and laws. The people's congresses of the provinces, autonomous regions and municipalities and their standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations. The people's congresses of cities with districts and their respective standing committees may formulate local regulations with respect to urban and rural construction and administration, ecological civilization construction, historical and cultural protection, grassroots governance and other aspects according to the specific circumstances and actual needs of such cities, provided that such local regulations do not contravene any provision of the Constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions. If the law provides otherwise on the formulation of local regulations by cities divided into districts, those provisions shall prevail. Such local regulations of cities with districts will become enforceable after being reported to and approved by the standing committees of the people's congresses of the relevant provinces or autonomous regions. The standing committees of the people's congresses of the provinces or autonomous regions examine the legality of local regulations submitted for approval, and such approval should be granted within four months if they are not in conflict with the Constitution, laws, administrative regulations and local regulations of such provinces or autonomous regions. Where, during the examination for approval of local regulations of cities divided into districts by the standing committees of the people's congresses of the provinces or autonomous regions, conflicts are identified with the rules and regulations of the people's governments of the provinces or autonomous regions concerned, a decision should be made by the standing committees of the people's congresses of provinces or autonomous regions to resolve the issue. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the ethnic groups in the areas concerned.

The ministries, commissions of the State Council, the PBOC, the National Audit Office, institutions with administrative functions directly under the State Council, and other institutions stipulated by law may formulate rules and regulations within the power of their respective departments based on the laws, administrative regulations, decisions and rulings of the State Council. Matters governed by the departmental rules and regulations should be those for the enforcement of the laws, administrative regulations, decisions and rulings of the State Council. The people's governments of provinces, autonomous regions and municipalities directly under the central government and cities divided into districts and autonomous regions may formulate rules, in accordance with laws, administrative regulations and relevant local regulations of provinces, autonomous regions and municipalities directly under the central government.

Pursuant to the Resolution of the SCNPC Providing an Improved Interpretation of the Law (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed on June 10, 1981, issues related to the further clarification or supplement of laws or decrees should be interpreted by the SCNPC or provided by with decrees, issues related to the application of laws in a court trial should be interpreted by the Supreme People's Court, issues related to the application of laws in a prosecution process should be interpreted by the Supreme People's Procuratorate, and the application of other laws and decrees in matters other than those involved in trial or prosecution process should be interpreted by the State Council and the competent authorities. The State Council and its ministries and commissions are also vested with the power to give interpretations of the administrative regulations and departmental rules which they have promulgated. At the regional level, the power to interpret regional laws and regulations is vested in the regional legislative and administrative authorities which promulgate such laws and regulations.

**The PRC Judicial System**

Under the Constitution, the Law of Organization of the People's Courts of the PRC (2018 revision) (《中華人民共和國人民法院組織法(2018修訂)》) and the Law of Organization of the People's Procuratorate of the PRC (2018 revision) (《中華人民共和國人民檢察院組織法(2018修訂)》), the people's courts of the PRC are classified into the Supreme People's Court, the local people's courts at various levels, and other special people's courts. The local people's courts at various levels are divided into three levels, namely, the primary people's courts, the intermediate people's courts and the higher people's courts. The primary people's courts may set up a number of people's tribunals based on the facts of the region, population and cases. The Supreme People's Court is the highest judicial authority. The Supreme People's Court shall supervise the judicial work of the local people's courts at all levels and special people's courts, and people's courts at higher levels shall supervise the judicial work of people's courts at lower levels. The Chinese People's Procuratorates are divided into the Supreme People's Procuratorate, local people's procuratorates at various levels, and specialized people's procuratorates such as the Military Procuratorate. The Supreme People's Procuratorate is the highest procuratorial organ. The Supreme People's Procuratorate directs the work of the local people's procuratorates and specialized people's procuratorates at all levels, and the people's procuratorates at higher levels direct the work of the people's procuratorates at lower levels.

The people's court takes the rule of the second instance as the final rule, that is, the judgments or rulings of the second instance of the people's court are final. The parties may appeal against the judgment or ruling of the first instance of a local people's court. The people's procuratorate may present a protest to the people's court at the next higher level in accordance with the procedures stipulated by the laws. In the absence of any appeal by the parties and any protest by the people's procuratorate within the stipulated period, the judgments or rulings of the people's court are final. Judgments or rulings of the second instance of the intermediate people's courts, the higher people's courts and the Supreme People's Court are final. The first judgments or rulings of the Supreme People's Court are also final. However, if the Supreme People's Court or a people's court at the next higher level discovers an error in the final and binding judgment or ruling which has taken effect in any people's court at a lower level, or the presiding judge of a people's court discovers an error in a final and binding judgment which has taken effect in the court over which he presides, a retrial of the case may be initiated according to the judicial supervision procedures.

The Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》) (the "PRC Civil Procedure Law") adopted on April 9, 1991 and amended five times on October 28, 2007, August 31, 2012, June 27, 2017, December 24, 2021 and September 1, 2023 prescribes the conditions for instituting a civil action, the jurisdiction of the people's courts, the procedures for conducting a civil action, and the procedures for enforcement of a civil judgment or ruling. Each party to a civil action conducted within the PRC must comply with the relevant provisions of the PRC Civil Procedure Law. A civil case is generally heard by the court located in the defendant's place of domicile. The court of jurisdiction in respect of a civil action may also be chosen by explicit agreement among the parties to a contract, provided that the people's court having jurisdiction should be located at places directly connected with the disputes, such as the plaintiff's or the defendant's place of domicile, the places where the contract is executed or signed or the place where the object of the action is located. Meanwhile, such selection cannot violate the stipulations of hierarchical jurisdiction and exclusive jurisdiction in any case.

A foreign individual, a person without nationality, a foreign enterprise and organization is given the same litigation rights and obligations as a citizen, a legal person and other organization of the PRC when initiating actions or defending against litigation at the people's court. Should a foreign court limit the litigation rights of citizens, a legal person, and other organizations of the PRC, the PRC court may apply the same limitations to the civil litigation rights to citizens, enterprises and organizations of such foreign country. A foreign individual, a person without nationality, a foreign enterprise and organization must engage a PRC lawyer in case he or it needs to engage a lawyer for the purpose of initiating actions or defending against litigations at the people's court. In accordance with the international treaties to which the PRC is a signatory or participant or according to the principle of reciprocity, a people's court and a foreign court may request each other to serve documents, conduct investigation and collect evidence and conduct other actions on its behalf. A people's court shall not accommodate any request made by a foreign court which will result in the violation of sovereignty, security or public interests of the PRC.

All parties to a civil action shall perform the legally effective judgments and rulings. If any party to a civil action refuses to abide by a judgement or ruling made by a people's court or an award made by an arbitration tribunal in the PRC, the other party may apply to the people's court for the enforcement of the same within two years subject to application for postponed enforcement or revocation. If a party fails to satisfy within the stipulated period a judgement which the court has granted an enforcement approval, the court may, upon the application of the other party, mandatorily enforce the judgement on the party.

Where a party applies for enforcement of a legally effective judgement or ruling made by a people's court, and the opposite party or his property is not within the territory of the PRC, the applicant may directly apply to a foreign court with jurisdiction for recognition and enforcement of the judgement or ruling, or the people's court may, in accordance with the provisions of international treaties to which the PRC is a signatory or in which the PRC is a participant or the principle of reciprocity, request recognition and enforcement by a foreign court. Similarly, where an effective judgment or ruling made by a foreign court needs to be recognized and enforced by the people's court of the PRC, unless the people's court considers that the recognition or enforcement of the judgment or ruling would violate the basic legal principles of the PRC, national sovereignty, national security or social and public interest, the parties involved may directly apply to an intermediate people's court of the PRC with jurisdiction for recognition and enforcement, or the foreign court may, in accordance with the provisions of international treaties entered into or acceded to by that country and the PRC or according to the principle of reciprocity, request the people's court to recognize and enforce it.

**The Company Law of the PRC, the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies and the Guidelines for the Articles of Association of Listed Companies**

The Company Law of the People's Republic of China (《中華人民共和國公司法》) (the "PRC Company Law") was adopted by the Standing Committee of the Eighth NPC at its Fifth Session on December 29, 1993 and came into effect on July 1, 1994. It was successively amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013, October 26, 2018 and December 29, 2023. The newly revised PRC Company Law has been implemented on July 1, 2024.

On February 17, 2023, CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "Overseas Listing Trial Measures"), which came into effect on March 31, 2023 and is applicable to direct and indirect overseas share subscription and listing of domestic companies, which also stipulates the filing administrative measures and regulatory requirements for the overseas securities offering and listing by domestic companies.

On December 15, 2023, the CSRC Promulgated the latest amended Guidelines for the Articles of Association of Listed Companies (《上市公司章程指引》) (the "Guidelines for the Articles of Association"). According to the Overseas Listing Trial Measures and its supporting guidelines, Guidelines for the Application of Regulatory Rules — Overseas Listing Category No. 1, domestic enterprises that are directly listed overseas shall formulate its Articles of Association with reference to the Guidelines for the Articles of Association and other relevant provisions of the CSRC on main provisions of the PRC Company Law, the Overseas Listing Trial Measures and the Guidelines for the Articles of Association.

***General Provisions***

A joint stock limited company refers to an enterprise legal person incorporated under the PRC Company Law with its registered capital divided into shares of equal par value. The liability of its shareholders is limited to the amount of shares held by them and the company is liable to its creditors for an amount equal to the total value of its assets.

A joint stock limited company shall conduct its business in accordance with laws and administrative regulations. It may invest in other limited liability companies and joint stock limited companies and its liabilities with respect to such invested companies are limited to the amount invested. If it is prescribed by any law that a company shall not become a capital contributor that shall bear the joint and several liability for the debts of the enterprises it invests in, such provisions shall prevail.

***Incorporation***

A joint stock limited company may be incorporated by promotion or raising. A joint stock limited company shall be incorporated by one to 200 promoters, provided that at least more than half of the promoters must reside in the PRC. Where a joint stock limited company is to be established by means of promotion, promoters shall fully subscribe for the shares that shall be issued at the time of the establishment of the company as provided for in the Articles of Association. If a joint stock limited company is to be established by means of raising, the promoters shall subscribed for not less than 35% of the total shares that shall be issued at the time of the establishment of the company as provided for in the Articles of Association; however, where laws and administrative regulations provide otherwise, such provisions shall prevail.

A prospectus shall be published and a subscription letter shall be prepared when the promoters offer shares to the public. The subscriber shall fill in the number of shares subscribed for, amount and domicile and affix his/her signature or seal to the subscription letter. The subscriber shall make full payment for the shares subscribed for. Where a promoter is offering shares to the public, such offer shall be underwritten by security companies established under PRC laws, and an underwriting agreement shall be concluded thereon. A promoter offering shares to the public shall also enter into agreements with banks in relation to the receipt of subscription monies. The receiving banks shall receive and keep in custody the subscription monies, issue receipts to subscribers who have paid the subscription monies and furnish evidence of receipt of those subscription monies to relevant authorities. After the share capital for a public offering has been paid in full, a capital verification institution established under PRC law must be engaged to conduct a capital verification and furnish a certificate thereof. Where the shares to be issued have not been fully subscribed for at the time of the establishment of a company, or the promoters fail to hold an establishment meeting within 30 days after the full payment has been made for the shares to be issued, subscribers may claim against the promoters for refund of the payment for shares plus the interest on the bank deposits for the same term. The promoters and subscribers may not withdraw their share capital after they have made payment for the shares or delivered non-monetary property as capital contributions, except that the shares have not been fully subscribed for within the time limit, the promoters fail to hold the establishment meeting on schedule, or the establishment meeting decides not to establish the company. The Board of Directors shall, within 30 days after the end of the establishment meeting of a company, authorize a representative to file an application for registration of establishment with the company registration authority.

***Share Capital***

The promoters may make a capital contribution in currencies, or non-monetary assets such as in kind or intellectual property rights, land use rights, stock rights or creditor's rights which can be appraised with monetary value and transferred lawfully, except for assets which are prohibited from being contributed as capital by the laws or administrative regulations. If a capital contribution is made in non-monetary assets, a valuation of the assets contributed must be carried out pursuant to the provisions of the laws or administrative regulations on valuation without any over-valuation or under-valuation. If there are provisions on the assessment of value in any law or administrative regulation, such provisions shall prevail.

The issuance of shares shall be conducted in a fair and equitable manner. Each share of the same class must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. The same price per share shall be paid by any share subscriber. The issue price of par value stock may be based on the face value or exceed the face value but shall not be lower than the face value.

***Increase In Share Capital***

Pursuant to the PRC Company Law, an increase in the capital of a company by means of an issue of new shares must be approved by shareholders in a shareholder's meeting. The Articles of Association or the shareholders' meeting may authorize the Board of Directors to decide to issue not more than 50% of the shares that have been issued within three years. However, if the capital contributions are to be made using non-monetary property, they shall be subject to a resolution made by the shareholders' meeting. Where the Board of Directors is authorized and decides to issue shares, and thus results in a change in the registered capital or the number of issued shares of the company, the voting at the shareholders' meeting may not be needed to revise such item set forth in the Articles of Association of the company. Where the Articles of Association or the shareholders' meeting of a company authorizes the Board of Directors to decide on issuing new shares, a resolution of the Board of Directors shall be adopted by two thirds of all the directors. In addition, where a domestic enterprise issuing and listing overseas, the issuer shall file with the CSRC in accordance with the Overseas Listing Trial Measures and submit a filing report, legal opinions and other relevant materials, giving a true, accurate and complete account of shareholders' information and other information.

***Reduction of Share Capital***

The company shall reduce the registered capital in accordance with the following procedures as stipulated in the PRC Company Law:

(I) the company shall prepare a balance sheet and an inventory of properties;

(II) make a resolution at a shareholders' meeting to reduce the registered capital;

(III) the company shall notify its creditors within 10 days after making the resolution to reduce the registered capital and publish the relevant announcement in newspapers or on the National Enterprise Credit Information Publicity System within 30 days;

(IV) a creditor may, within 30 days after receipt of the notification, or within 45 days after the date of announcement if he/she has not received the notification, have the right to request the company to repay its debts or provide relevant guarantees; and

(V) the company must apply to the company registration authority for a change in registration.

Where a company reduces its registered capital, it shall reduce the amount of capital contribution or shares in proportion to the capital contribution or shares held by the shareholders, unless it is otherwise prescribed by any law, or is otherwise prescribed by the Articles of Association of the company.

If a company still has losses after making up for them in accordance with the relevant provisions of the PRC Company Law, it may reduce its registered capital to make up for the losses. If the registered capital is reduced to make up for the loss, the company shall not make any distribution to the shareholders, nor shall the shareholders be exempted from their obligation to pay the capital contribution or the share capital. If the registered capital is reduced in accordance with the aforesaid provisions, the item (III) and item (IV) mentioned above shall not apply, but the resolution to reduce the registered capital shall be made by the shareholders' meeting within 30 days from the date of the announcement in the newspapers or on the National Enterprise Credit Information Publicity System. After a company reduces its registered capital in accordance with the provisions of the preceding paragraphs, it shall not distribute profits until the accumulated amount of statutory reserve and discretionary reserve reaches 50% of the company's registered capital.

When a company reduces its registered capital in violation of the provisions of the PRC Company Law, its shareholders shall refund the funds they have received, and if the capital contributions of the shareholders are reduced or exempted, such capital contributions shall be restored to the original status; if any loss is caused to the company, the shareholders and the liable directors, supervisors and senior management shall bear the liability for compensation.

***Repurchase of Shares***

Under the provisions of the PRC Company Law, a company shall not repurchase its own shares except in the following circumstances:

(I) reduction of the registered capital of the company;

(II) merger with another company that holds its shares;

(III) use of its shares for carrying out an employee stock ownership plan or equity incentive plan;

(IV) request from shareholders who object to a resolution of a shareholders' meeting on merger or division of the company to acquire their shares by the company;

(V) use of shares for conversion of convertible corporate bonds issued by the listed company; and

(VI) it is necessary for a listed company to maintain its company value and protect its shareholders' equity.

A resolution of a shareholders' meeting is required for the repurchase of shares by a company under either of the circumstances stipulated in item (I) or item (II) above; for a company's repurchase of shares under any of the circumstances stipulated in item (III), item (V) or item (VI) above, a resolution of a meeting of the Board of Directors shall be made by more than two-thirds of directors attending the meeting according to the provisions of the Company's Articles of Association or as authorized by the shareholders' meeting.

The shares acquired by the company according to the above provisions under the circumstance stipulated in item (I) hereof a company shall be deregistered within 10 days from the date of acquisition of shares; the shares shall be transferred or deregistered within six months if the repurchase of shares is made under the circumstances stipulated in either item (II) or item (IV); and the shares in the company held in total by the company after the repurchase of shares under any of the circumstances stipulated in item (III), item (V) or item (VI) shall not exceed 10% of the Company's total issued shares, and shall be transferred or deregistered within three years.

A company shall not accept its own shares as the subject matter of a mortgage.

No company may provide gifts, loans, guarantees or other financial aids for others to obtain the shares of the company or the parent company thereof unless it carries out an employee stock ownership plan. For the benefits of the company, the company may, upon a resolution by the shareholders' meeting or by the Board of Directors under the Articles of Association or the authorization of the shareholders' meeting, provide financial aids for others to obtain the shares of the company or the parent company thereof, provided that the total accumulative amount of the financial aids shall not exceed 10% of the total issued share capital. A resolution by the Board of Directors shall be adopted by two thirds of all the directors.

Any director, supervisor or senior management who is liable for any loss to the company due to violation of the provisions of the preceding paragraph shall make compensations.

***Transfer of Shares***

The shares held by a shareholder of a company may be transferred to other shareholders or to persons other than the shareholders of the company. Where the Articles of Association of the company have any restriction on the transfer of shares, the transfer shall be carried out in accordance with the Articles of Association. Under the PRC Company Law, a shareholder should effect a transfer of his shares on the stock exchange established in accordance with laws or by any other means as required by the State Council. The transfer of shares by a shareholder must be conducted by means of an endorsement or by other means stipulated by laws or by administrative regulations. Following the transfer of shares, the company shall enter the names and domiciles of the transferee into its share register. Change of the register of members described in the preceding paragraph shall not be registered within 20 days before the convening of a shareholders' meeting or 5 days prior to the base date on which the company decides to distribute dividends. However, where it is otherwise provided for in any law, administrative regulation or by the securities regulatory authority of the State Council for the modification of the register of shareholders of a listed company, such provisions shall prevail.

Pursuant to the PRC Company Law, shares of the company issued prior to the public issue of shares may not be transferred within one year of the date of the company's listing on the stock exchange. Where it is otherwise provided for in any law, administrative regulation or by the securities regulatory authority of the State Council for the transfer of shares held by the shareholders or actual controllers of a listed company, such provisions shall prevail. Directors, supervisors and senior management of the company shall declare to the company the shares they hold and the changes thereof during the term of office as determined when they assume the posts, the shares transferred each year shall not exceed 25% of the total shares they hold of the company. They shall not transfer the shares they hold within one year of the date of the company's listing on the stock exchange, nor within six months after they leave their positions in the company. The Articles of Association may set out other restrictive provisions in respect of the transfer of shares in the company held by its directors, supervisors and the senior management. Where the shares are pledged within the time limit for restricted transfer as provided for by laws and administrative regulations, the pledgee may not exercise the pledge right within such restricted period.

Pursuant to the Overseas Listing Trial Measures, for a domestic company directly offering and listing overseas, the shareholders of its domestic unlisted shares applying to convert its domestic unlisted shares into overseas listed shares and listed and traded on an overseas trading venue shall conform to relevant regulations promulgated by the CSRC, and appoint the domestic company to file with the CSRC.

***Shareholders***

Pursuant to the PRC Company Law and the Guidelines for Articles of Association, the rights of shareholders include the rights:

(I) to be legally entitled to assets income, participate in significant decision-making and select management personnel;

(II) to petition the people's court to revoke any resolution of a shareholders' meeting, a shareholders' meeting or a meeting of the Board of Directors that has been convened or whose voting has been conducted in violation of the laws, administrative regulations or the Articles of Association of the company, or any resolution the contents of which is in violation of the laws, administrative regulations or the Articles of Association of the company, provided that such petition shall be submitted to the people's court within 60 days of the passing of such resolution;

(III) to transfer his/her shares legally;

(IV) to attend or appoint a proxy to attend shareholders' meeting and exercise the voting rights;

(V) to inspect and copy the Articles of Association of the company, share register, the minutes of shareholders' meeting, board resolutions, resolutions of the Board of Supervisors and the financial and accounting reports, and to make suggestions or inquiries in respect of the company's operations;

(VI) to receive dividends in respect of the number of shares held;

(VII) to participate in the distribution of residual properties of the company in proportion to their shareholdings upon the liquidation of the company; and

(VIII) any other shareholders' rights provided for in laws, administrative regulations, other normative documents and the Articles of Association of the company.

The obligations of shareholders include the obligation to abide by the Articles of Association of the company, to pay the subscription monies in respect of the shares subscribed for, to be liable for the company's responsibilities in respect of the shares taken up by them and any other shareholder obligation specified in the Articles of Association of the company.

***Shareholders' meeting***

The shareholders' meeting is the organ of authority of the company, which exercises its powers in accordance with the PRC Company Law. The shareholders' meeting may exercise its powers:

(I) to elect or replace the directors and supervisors and to decide on their remunerations;

(II) to consider and approve the reports of the Board of Directors;

(III) to consider and approve the reports of the Board of Supervisors;

(IV) to consider and approve the company's profit distribution and loss recovery proposals;

(V) to decide on any increase or reduction of the company's registered capital;

(VI) to decide on the issue of corporate bonds;

(VII) to decide on merger, division, dissolution and liquidation of the company or change of its corporate form;

(VIII) to amend the Articles of Association of the company; and

(IX) to exercise any other authority stipulated in the Articles of Association of the company.

The shareholders' meeting may authorize the Board of Directors to make resolutions on the issuance of corporate bonds.

Pursuant to the PRC Company Law and the Guidelines for Articles of Association, a shareholders' meeting is required to be held once a year within six months after the end of the previous accounting year. An interim shareholders' meeting is required to be held within two months upon the occurrence of any of the following:

(I) the number of directors is less than the number required by the law or less than two-thirds of the number specified in the Articles of Association of the company;

(II) the total outstanding losses of the company amounted to one-third of the company's total capital stock;

(III) shareholders individually or in aggregate holding 10% or more of the company's shares request to convene an interim shareholders' meeting;

(IV) the Board of Directors deems necessary;

(V) the Board of Supervisors so proposes; or

(VI) any other circumstances as provided for in the Articles of Associations of the company.

A shareholders' meeting is convened by the Board of Directors and presided over by the chairman of the Board of Directors. In the event that the chairman is incapable of performing or is not performing his or her duties, the meeting shall be presided over by the vice chairman. If the vice chairman is incapable of performing or is not performing his or her duties, a director jointly recommended by more than half of directors shall preside over the meeting. If the Board of Directors is unable to or fails to perform its duty of convening the shareholders' meeting, the Board of Supervisors shall convene and preside over such meeting in a timely manner; if the Board of Supervisors fails to convene and preside over such meeting, shareholders who individually or jointly hold more than 10% of the company's shares for more than 90 consecutive days may independently convene and preside over such meeting. If the shareholders who individually or jointly hold more than 10% of the shares of the company request to convene an interim shareholders' meeting, the Board of Directors and the Board of Supervisors shall, within 10 days after the receipt of such request, decide whether to hold an interim shareholders' meeting and reply to the shareholders in writing.

In accordance with the PRC Company Law, a notice stating the time and venue of the meeting and the matters to be considered at the meeting shall be given to all shareholders 20 days before the meeting if the shareholders' meeting is convened. Notice of the interim shareholders' meeting shall be given to all shareholders 15 days before the meeting. Shareholders who individually or jointly hold more than one percent of the shares of the company may submit an interim proposal in writing to the Board of Directors ten days before the shareholders' meeting is held. The Board of Directors shall notify other shareholders within two days upon receipt of the proposal, and submit the interim proposal to the shareholder's meeting for deliberation, unless the interim proposal is in violation of any law, administrative regulation or the Articles of Association or fails to fall into the scope of functions of the shareholders' meeting. The company shall not raise the shareholding proportion of the shareholder who brings forward any interim proposal. A company offering shares to the public shall make the notices as mentioned in the preceding paragraphs by way of announcement. The shareholders' meeting shall not make any resolution on any matter not specified in the notice.

According to the PRC Company Law, shareholders present at shareholders' meeting shall have one vote for each share they hold, except the shareholders of classified shares. The company may not have a voting right for the shares it holds.

An accumulative voting system may be adopted for the election of directors and supervisors at the shareholders' meeting pursuant to the provisions of the Articles of Association of the company or a resolution of the shareholders' meeting. Under the accumulative voting system, when the shareholders' meeting elects directors or supervisors, each share has the same voting rights as the number of directors or supervisors to be elected, and the voting rights owned by shareholders can be used collectively.

Under the PRC Company Law, the passing of any resolution at the shareholder's meeting requires affirmative votes of shareholders representing more than half of the voting rights held by the shareholders who attend the shareholder's meeting except in cases of proposed amendments to a Articles of Association, increase or decrease of registered capital, merger, division or dissolution, or change of corporation form, which require affirmative votes of shareholders representing more than two-thirds of the voting rights held by the shareholders who attend the shareholder's meeting.

Minutes shall be prepared in respect of matters considered at the shareholders' meeting and the chairperson and directors attending the meeting shall endorse such minutes by signature. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

***Board of Directors***

A joint stock limited company shall have a board. However, a joint stock limited company with a relatively small scale or relatively small number of shareholders may dispense with the Board of Directors and have one director to exercise the functions and powers of the Board of Directors as prescribed by the PRC Company Law. If the Board of Directors of a company has more than three members, it may include an employees' representative of the company. Where a company has 300 or more employees, the Board of Directors shall include the employees' representatives of the company unless the Board of Supervisors has been established and includes employees' representatives of the company. The employees' representatives in the Board of Directors shall be democratically elected by the employees through the employees' representative congress, employees' congress or by other means.

The term of office of the directors shall be provided for by the Articles of Association, but each term of office shall not exceed three years. A director may seek reelection upon expiry of the said term. A director shall continue to perform his/her duties as a director in accordance with the laws, administrative regulations and the Articles of Association until a duly re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of directors results in the number of directors being less than the quorum. Where a director resigns, he/she shall notify the company in written form, and the resignation shall become effective on the day when the company receives the notice.

However, under any of the circumstances as mentioned in the preceding paragraph, the director shall continue performing his/her duties.

Under the PRC Company Law, the Board of Directors may exercise the following powers:

(I) to convene shareholders' meeting and report on its work to the shareholders' meeting;

(II) to implement the resolutions passed by the shareholders at the shareholders' meeting;

(III) to decide on the Company's operational plans and investment proposals;

(IV) to formulate the Company's proposals for profit distribution and for recovery of losses;

(V) to formulate proposals for the increase or reduction of the Company's registered capital and the issue of corporate bonds;

(VI) to formulate proposals for the merger, division, dissolution of the Company or change in the form of the Company;

(VII) to decide on the setup of the Company's internal management organs;

(VIII) to decide on appointment or dismissal the manager of the Company and his/her remuneration matters, and as nominated by the manager, to decide on appointment or dismissal the Company's deputy general manager and financial officer and his/her remuneration matters;

(IX) to formulate the Company's basic management system; and

(X) other authority stipulated in the Articles of Association or granted by the shareholders' meeting.

Any restrictions on the functions and powers of the Board of Directors set out in the Articles of Association may not be asserted against any bona fide third party.

Under the PRC Company Law, a company may, under the Articles of Association, set up an audit committee composed of directors in the Board of Directors, which shall exercise the functions and powers of the Board of Supervisors. It may not have a Board of Supervisors or supervisors. The audit committee shall be composed of at least 3 members, and more than half of the members shall not assume any position other than the director in the company and shall not have any relationship with the company that may affect their independent and objective judgments. Among the members of the Board of Directors of the company, an employees' representative may become a member of the audit committee. A resolution made by the audit committee shall be adopted by more than half of the members thereof. For voting on a resolution of the audit committee, each member shall have one vote. The discussion methods and voting procedures of the audit committee shall be prescribed in the Articles of Association, unless it is otherwise provided under the PRC Company Law. A company may set up other committees in the Board of Directors under the Articles of Association.

Meeting of the Board of Directors shall be convened at least twice a year. Notice of meeting shall be given to all Directors and Supervisors 10 days before the meeting. Interim board meeting may be proposed to be convened by shareholders representing more than one-tenth of the voting rights, more than one-third of the Directors or the Board of Supervisors. The chairman shall convene the meeting within 10 days of receiving such proposal, and preside over the board meeting. The Board of Directors may otherwise determine the method of giving notice and notice period for convening an interim meeting of the Board of Directors.

No meeting of the Board of Directors may be held unless more than half of the directors are present. A resolution made by the Board of Directors shall be adopted by more than half of all the directors. For voting on a resolution of the Board of Directors, each director shall have one vote. The Board of Directors shall prepare minutes regarding the decisions on the matters discussed at the meetings, which shall be signed by the directors present.

The directors shall attend the meeting of the Board of Directors in person. Where any director is unable to attend the meeting for any reason, he/she may, by issuing a written power of attorney, entrust another director to attend the meeting on his/her behalf. The power of attorney shall indicate the scope of authorization. The directors shall be responsible for the resolutions made by the Board of Directors. Where a resolution of the Board of Directors is in violation of any law, administrative regulation, Article of Association or resolution of the shareholders' meeting and causes any serious loss to the company, the directors who participate in adopting such resolution shall be liable for compensation to the company. If a director is proved to have expressed his/her objection to the voting on such resolution and such objection has been recorded in the minutes, he/she may be exempted from liability.

Under the PRC Company Law, the following person may not serve as a director of the company:

(I) devoid of or with restricted civil conduct ability;

(II) within five years after serving sentence for embezzlement, bribery, infringement or misappropriation of property, or for jeopardizing socialist market economic order, or within five years after serving sentence and being deprived of political rights for crime; within two years after being pronounced for suspension of sentence since the expiration of the suspension of sentence;

(III) within three years after insolvency and liquidation of such Company or enterprise where the person acted as a directors, factory manager or business manager and has been held accountable for the insolvency;

(IV) within three years after company or enterprise the person acted as legal representative is revoked business license and ordered to shut down for violating law on which the person is held accountable; and

(V) being listed as a dishonest person subject to enforcement by the people's court due to large amount of unliquidated mature debts.

Where a company elects or appoints a director to which any of the above circumstances applies, such election, appointment or designation shall be invalid. A director to which any of the above circumstances applies during his/her term of office shall be released of his/her duties by the Company.

Under the PRC Company Law, the Board shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman shall be elected with approval of more than half of all the directors. The chairman shall convene and preside over board meeting and review the implementation of board resolutions. The vice chairman shall assist the chairman to perform his/her duties. Where the chairman is incapable of performing or is not performing his/her duties, the duties shall be performed by the vice chairman. Where the vice chairman is incapable of performing or is not performing his/her duties, a director nominated by more than half of the directors shall perform his/her duties.

***Board of Supervisors***

A joint stock limited company shall have a Board of Supervisors composed of three members or more. However, a joint stock limited company (i) with a relatively small scale or relatively small number of shareholders may dispense with the Board of Supervisors, but may have one supervisor, who shall exercise the functions and powers of the Board of Supervisors, and (ii) may not have a Board of Supervisors or supervisors if it sets up an audit committee composed of directors in the Board of Directors, which shall exercise the functions and powers of the Board of Supervisors. The Board of Supervisors shall consist of representatives of the shareholders and an appropriate proportion of representatives of the Company's staff, of which the proportion of representatives of the company's staff shall not be less than one-third, and the actual proportion shall be determined in the Articles of Association. Representatives of the Company's staff at the Board of Supervisors shall be democratically elected by the Company's staff at the staff representative assembly, general staff meeting or otherwise.

The Board of Supervisors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the Board of Supervisors shall be elected by more than half of all the supervisors. Directors and senior management shall not act concurrently as supervisors. The chairman of the Board of Supervisors shall convene and preside over the Board of Supervisors meeting. Where the chairman of the Board of Supervisors is incapable of performing or is not performing his/her duties, the vice chairman of the Board of Supervisors shall convene and preside over the Board of Supervisors meeting. Where the vice chairman of the Board of Supervisors is incapable of performing or is not performing his/her duties, a supervisor elected by more than half of the supervisors shall convene and preside over the Board of Supervisors meeting.

The supervisors serve three-year terms. A supervisor may serve consecutive terms if re-elected upon the expiration of his/her term. A supervisor shall continue to perform his/her duties as a supervisor in accordance with the laws, administrative regulations and the Articles of Association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of supervisors results in the number of supervisors being less than the quorum.

The Board of Supervisors may exercise its powers:

(I) to review the company's financial position;

(II) to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, regulations, the Articles of Association or resolutions of the shareholders' meeting;

(III) when the acts of a director or senior management are detrimental to the company's interests, to require the director and senior management to correct these relevant acts;

(IV) to propose the convening of extraordinary shareholders' meeting and to convene and preside over shareholders' meeting when the board fails to perform the duty of convening and presiding over shareholders' meeting under the PRC Company Law;

(V) to submit proposals to the shareholders' meeting;

(VI) to bring actions against directors and senior management pursuant to the relevant provisions of the PRC Company Law; and

(VII) to exercise any other authority stipulated in the Articles of Association.

Supervisors may be present at board meeting and make inquiries or proposals in respect of the resolutions of the Board of Directors. The Board of Supervisors may investigate any irregularities identified in the operation of the company and, when necessary, may engage an accounting firm to assist its work at the cost of the company.

***Manager and Senior Management***

Pursuant to the relevant provisions of the PRC Company Law, a company shall have a manager who shall be appointed or removed by the Board of Directors. The manager shall be responsible to the Board of Directors and exercise his/her functions and powers according to the Articles of Association or the authorization of the Board of Directors. The manager shall attend the meeting of the Board of Directors as a non-voting member.

According to the relevant provisions of the PRC Company Law, senior management refers to the manager, deputy manager, financial officer, secretary to the Board of Directors of a listed company and other personnel as stipulated in the Articles of Association.

***Duties of Directors, Supervisors, General Managers and Other Senior Management***

Directors, supervisors and senior management shall comply with laws, administrative regulations and the Articles of Association.

Directors, supervisors and senior management shall assume the obligation of loyalty to the company and take measures to avoid the conflict between their own interests and those of the company and may not seek any improper interests by taking advantage of their powers. The directors, supervisors and senior management shall assume the duty of diligence to the company. When performing their duties, they shall, for the best interests of the company, exercise the reasonable care that shall be generally possessed by a manager.

The provisions of the preceding paragraphs shall apply to the controlling shareholder or actual controller of a company who does not serve as a director but actually executes the affairs of the company.

In the meantime, directors, supervisors and senior management are prohibited from:

(I) embezzling the property or misappropriating the funds of the company;

(II) depositing company funds into accounts under their own names or the names of other individuals;

(III) giving bribes or accepting any other illegal proceeds by taking advantage of his/her power;

(IV) accept commissions from transactions between others and the company for their own benefits;

(V) unauthorized divulgence of confidential information of the company; and

(VI) other acts in violation of their duty of loyalty to the company.

A director, supervisor or senior management who contravenes laws, administrative regulations or Articles of Association in the performance of his/her duties resulting in any loss to the company shall be liable to the company for compensation.

Where a director, supervisor or senior management is required to attend a shareholders' meeting, such director, supervisor or senior management shall attend the meeting and answer the inquiries from shareholders. The Board of Supervisors may demand the directors or senior management to submit reports on the performance of their duties. The directors and senior management shall truthfully provide relevant information and materials to the Board of Supervisors, none of them may impede the exercise of powers by the Board of Supervisors or supervisors.

Where the directors and senior management violate laws, administrative regulations or the Articles of Association in performance of duties to the company, thereby causing damages to the company, the shareholders individually or jointly holding more than 1% of the shares in the company for more than 180 consecutive days may request in writing the Board of Supervisors to initiate proceedings in the people's court.

Where the supervisors violate the laws, administrative regulations or the Articles of Association in performance of duties resulting in any loss to the company, the aforementioned shareholder(s) may request in writing that the Board of Directors institute litigation at a people's court. Upon receipt of shareholders' written request stipulated in the preceding paragraph, if the Board of Supervisors or the Board of Directors refuses to file a lawsuit or does not file a lawsuit within 30 days from receipt of such request, or in the event of emergency where the interest of the company will suffer irreparable damages if lawsuit is not filed immediately, the shareholders stipulated in the preceding paragraph shall have the right to file a lawsuit directly with the people's court in their own name for the interest of the company. For other parties who infringe the lawful interests of the company resulting in loss to the company, the aforementioned shareholder(s) may institute litigation at a people's court in accordance with the procedure described above. Where any director or senior management violates the provisions of laws, administrative regulations or the Articles of Association, damaging interests of shareholders, the shareholders may file a lawsuit with the people's court.

If a director, supervisor or senior management of a wholly-owned subsidiary of the company violate laws, administrative regulations or the Articles of Association in performance of duties to the company, thereby causing damages to the company, or if the legitimate rights and interests of a wholly-owned subsidiary of the company are impaired by any other person, thus causing any losses, the shareholders of a limited liability company or shareholders of a joint stock limited company individually and jointly holding 1% or more of the total shares of the company for 180 consecutive days or more may request the Board of Supervisors or the Board of Directors of the wholly-owned subsidiary in written form to initiate a lawsuit in the people's court or directly files a lawsuit with the people's court in their own name.

***Finance, Accounting and Profit Distribution***

According to the PRC Company Law, a company shall establish its own financial and accounting systems according to the laws, administrative regulations and the regulations of the financial departments of the State Council. A company shall prepare its financial reports at the end of each accounting year which shall be audited by accounting firm according to law. The financial and accounting reports shall be prepared in accordance with the laws, administrative regulations and the regulations of the financial departments of the State Council. The company's financial and accounting reports shall be made available for shareholders' inspection at the company within 20 days before the convening of an annual shareholder's meeting. A joint stock limited company that makes public stock offerings shall announce its financial and accounting reports.

When distributing each year's after-tax profits, the company shall set aside 10% of its after-tax profits for the company's statutory common reserve fund. However, when the cumulative amount of the reserve fund has reached more than 50% of the PRC company's registered capital, it may no longer be allocated. When the company's statutory common reserve fund is not sufficient to make up for the company's losses for the previous years, the current year's profits shall first be used to make up the losses before any allocation is set aside for the statutory common reserve fund. After the company has made allocations to the statutory common reserve fund from its after-tax profits, it may, upon passing a resolution at a shareholders' meeting, make further allocations from its after-tax profits to the discretionary common reserve fund. After the company has made up its losses and made allocations to its discretionary common reserve fund, the remaining after-tax profits shall be distributed to shareholders in proportion to the number of shares held by the shareholders, except for those which are not distributed in a proportionate manner as provided by the Articles of Association. Profit shall not be distributed for a company's shares held by this company.

Where a company distributes profits to shareholders in violation of the relevant provisions of the PRC Company Law, the shareholders shall refund the profits distributed to the company, and the shareholders and the liable directors, supervisors and senior management shall be held liable for compensation if any loss is caused to the company.

If the shareholders' meeting resolves to distribute profits, the Board of Directors shall do so within six months after the resolution is made.

The premiums received by a company from the issuance of shares at an issue price in excess of the par value of the shares, the amount of share proceeds from the issuance of no-par shares that have not been credited to the registered capital, and other items required by the financial department of the State Council to be included in the capital reserve shall be classified as the capital reserve of the company.

The reserve of a company shall be used for making up losses, expanding the production and business scale or increasing the registered capital of the company. Where the reserve of a company is used for making up losses, the discretionary reserve and statutory reserve shall be firstly used. If losses still cannot be made up, the capital reserve can be used according to the relevant provisions. Where the statutory reserve is converted to increase registered capital, the amount of such reserve retained shall not be less than 25% of the registered capital of the company prior to the conversion.

The company shall have no accounting books other than the statutory books. The company's funds shall not be deposited in any account opened under the name of an individual.

After a company reduces its registered capital in accordance with the provisions of the PRC Company Law, it shall not distribute profits until the accumulated amount of statutory reserve and discretionary reserve reaches 50% of the company's registered capital.

***Appointment and Dismissal of Auditors***

Pursuant to the PRC Company Law, the appointment or dismissal of an accounting firm responsible for the auditing of the company shall be determined by shareholders at a shareholders' meeting, the Board of Directors or the Board of Supervisors in accordance with the Articles of Association. The accounting firm should be allowed to make representations when the shareholders' meeting, the Board of Directors or the Board of Supervisors conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidence, accounting books, financial and accounting reports and other accounting information to the engaged accounting firm without any refusal or withholding or misrepresentation of information.

***Amendment to Articles of Association***

Pursuant to PRC Company Law, the resolution of a shareholders' meeting regarding any amendment to a company's Articles of Association requires affirmative votes by at least two-thirds of the votes held by shareholders attending the meeting. According to the Guidelines for the Articles of Association of Listed Companies, if the amendments to the Articles of Association approved by the resolution of the shareholder's meeting of shareholders are subject to approval by the competent authority, they must be reported to the competent authority for approval; if they involve company registration matters, the modification registrations hall be handled according to law. Where the amendments to the Articles of Association belong to information required to be disclosed by laws and regulations, such amendments shall be announced in accordance with the regulations.

***Dissolution and Liquidation***

Pursuant to PRC Company Law, a company shall be dissolved for any of the following reasons:

(I) upon expiry of term of business stipulated in the Articles of Association or occurrence of other circumstances of dissolution stipulated in the Articles of Association;

(II) the shareholders' meeting has resolved to dissolve the company;

(III) the company is dissolved by reason of its merger or division;

(IV) the business license of the company is revoked or the company is ordered to close down or to be dissolved in accordance with the laws; or

(V) Where the company encounters serious difficulties in its operations or management that will lead to significant losses to the benefits of the shareholders if the company continues its existence and the situation cannot be resolved by other means, the company is dissolved by a people's court in response to the request of shareholders representing 10% or more of the voting rights of all shareholders of the company.

If any of the situations as mentioned in the preceding paragraph arises, a company shall publicize the situations through the National Enterprise Credit Information Publicity System within ten days.

Where a company falls under the circumstance as mentioned in Items (I) or (II) of the paragraph above and it has not distributed the assets to its shareholders yet, it may survive by modifying its articles of association or upon a resolution of the shareholders' meeting.

To modify its articles of association or make a resolution of the shareholders' meeting according to the provisions of the preceding paragraph, the consent of two thirds or more of the voting rights of the shareholders who attend the meeting of the shareholders' meeting is required.

Where the company is dissolved under the circumstances set forth in item (I), (II), (IV) or (V) above, it shall be liquidated. The directors, who are the liquidation obligors of the company, shall form a liquidation group to carry out liquidation within 15 days from the date of occurrence of the cause of dissolution. The liquidation group shall be composed of the directors, unless it is otherwise provided for in the company's Articles of Association or it is otherwise elected by the shareholders' meeting.

The liquidation obligors shall be liable for compensation if they fail to fulfill their obligations of liquidation in a timely manner, and thus any loss is caused to the company or the creditors.

The liquidation committee may exercise following powers during the liquidation:

(I) to verify the Company's assets and to prepare a balance sheet and an inventory of assets;

(II) to inform creditors by notice or announcement;

(III) to deal with and settle any outstanding business of relevant company;

(IV) to pay all outstanding taxes and the taxes arising during the liquidation process;

(V) to settle claims and debts;

(VI) to distribute the company's remaining assets after its debts have been paid off; and

(VII) to represent the company in civil lawsuits.

The liquidation committee shall notify the company's creditors within 10 days of its establishment, and publish an announcement in newspapers or on the National Enterprise Credit Information Publicity System within 60 days.

A creditor shall lodge his claim with the liquidation committee within 30 days of receipt of the notification or within 45 days of the date of the announcement if he has not received any notification.

The creditors shall explain matters relating to their claims and provide evidential documents. The liquidation committee shall register the creditor's claims. In the claims declaration period, the liquidation committee shall not make repayment to the creditors.

Upon disposal of the company's property and preparation of the required balance sheet and inventory of assets, the liquidation committee shall draw up a liquidation plan and submit this plan to a shareholders' meeting or a people's court for endorsement. The remaining part of the company's assets, after payment of liquidation expenses, employee wages, social insurance fees and statutory compensation, outstanding taxes and the company's debts, shall be distributed to shareholders in proportion to shares held by them. The company shall continue its existence during the liquidation period, although it cannot conduct operating activities that are not related to the liquidation. The company's property shall not be distributed to shareholders before repayments are made in accordance with the requirements described above.

Where the liquidation group finds that the property of the company are not sufficient for paying off the debts after liquidating the property of the company and preparing a balance sheet and an inventory of property, it shall file an application to a people's court for bankruptcy liquidation. After the people's court accepts the application for bankruptcy, the liquidation group shall hand over the liquidation matters to the bankruptcy administrator designated by the people's court.

The members of the liquidation group performing their duties of liquidation are obliged to loyalty and diligence. Any member of the liquidation group who neglects to fulfill his/her liquidation duties, thus causing any loss to the company shall be liable for compensation, and any member of the liquidation group who cause any loss to any creditor due to his/her intentional or gross negligence shall be liable for compensation.

Upon completion of the liquidation of the company, the liquidation group shall produce a liquidation report, report the same to the shareholders' meeting or the people's court for confirmation, and submit the same to the company registration authority to apply for deregistration of the company.

Where, during the period of survival, a company has not incurred any debts or has paid off all the debts, the company may, upon a commitment of all the shareholders, be deregistered under the summary procedures according to the relevant provisions. The deregistration of a company under the summary procedures shall be announced through the National Enterprise Credit Information Publicity System for a period of no less than 20 days. If there is no objection after the expiry of the announcement period, the company may apply for deregistration of the company with the company registration authority within 20 days.

For a company deregistered under the summary procedures, its shareholders shall be jointly and severally liable for the debts incurred before the deregistration if they have made an untrue commitment.

Where, after three years since the business license of a company is revoked, or the company is ordered to close down or is revoked, the company fails to apply for its deregistration with the company registration authority, the said authority may announce the company's deregistration through the National Enterprise Credit Information Publicity System for a period of no less than 60 days. If there is no objection after the announcement period expires, the company registration authority may deregister the company. Such deregistration of a company will not affect the liability of the original shareholders or liquidation obligors.

*Overseas Listing*

According to the Overseas Listing Trial Measures, the securities refer to stocks, depositary receipts, and corporate bonds that can be converted into stocks or other securities of an equity nature that are directly or indirectly offered and listed overseas by domestic companies. The direct overseas offering and listing of domestic companies refer to such overseas offering and listing of a joint stock limited company incorporated in the territory of PRC. The indirect overseas offering and listing of domestic companies refer to such overseas offering and listing made in the name of an offshore entity but based on the equity, assets, earnings, or other similar rights of a domestic company that operates its main business domestically.

The Overseas Listing Trial Measures also provide the conditions for overseas offering and listing. An overseas offering and listing are prohibited under any of the following circumstances:

(I) the listing and financing fall under specific prohibiting in the laws, administrative regulations, and relevant national provisions;

(II) the overseas offering and listing may constitute endangers to national security as reviewed and determined by competent authorities under the State Council in accordance with law;

(III) the domestic company and its controlling shareholder(s), actual controllers, have a criminal record in recent three years for corruption, bribery, encroachment of assets, misappropriation of assets, or disruption of socialist market economy order;

(IV) the domestic company is under investigation according to law for suspected crimes or major violations of laws and regulations, but no clear conclusions have been reached;

(V) there are material ownership disputes over the equities held by the controlling shareholders or the shareholders whose actions are controlled by the controlling shareholders or actual controllers.

In addition, under the Overseas Listing Trial Measures, where a PRC domestic company submits an application for initial public offering to competent overseas regulators or overseas stock exchanges, such issuer must file with the CSRC within three business days after such application is submitted.

In the event of the occurrence of any of the following material events after the overseas offering and listing, the PRC domestic companies shall make a detailed report to the CSRC within three working days after the occurrence and public announcement of the relevant event:

(I) change in controlling rights;

(II) being subject to investigation, punishment, or other measures by overseas securities regulatory authorities or the relevant competent authorities;

(III) changing the listing status or transferring the listing board;

(IV) voluntary or compulsory termination of a listing.

Pursuant to the Provisions on Strengthening Confidentiality and Archives Administration Concerning Overseas Securities Offerings and Listings by Domestic Enterprises, which was issued by the CSRC, MOF, the National Administration of State Secrets Protection and the National Archives Administration on February 24, 2023 and implemented since March 31, 2023, a domestic enterprise that provides or through its overseas listed entity, publicly discloses or provides to relevant individuals or entities including securities companies, securities service providers and overseas regulators, any document and materials that contain state secrets or working secrets of government agencies, shall first obtain approval from competent authorities according to law, and files with the secrecy administrative department at the same level. A domestic enterprise that provides accounting archives or copies of accounting archives to any entities including securities companies, securities service providers and overseas regulators and individuals shall fulfill due procedures in compliance with applicable national regulations.

***Loss of Share Certificates***

A shareholder may, in accordance with the public notice procedures set out in the PRC Civil Procedure Law, apply to a people's court if his share certificate(s) in registered form is either stolen, lost or destroyed, for a declaration that such certificate(s) will no longer be valid. After the people's court declares that such certificate(s) will no longer be valid, the shareholder may apply to the company for the issue of a replacement certificate(s).

***Merger and Division***

Pursuant to the PRC Company Law, a merger agreement shall be signed by merging companies and the involved companies shall prepare respective balance sheets and inventory of assets. The companies shall within 10 days of the date of passing the resolution approving the merger notify their respective creditors and publicly announce the merger in newspapers or on the National Enterprise Credit Information Publicity System within 30 days. A creditor may, within 30 days of receipt of the notification, or within 45 days of the date of the announcement if he has not received the notification, request the company to settle any outstanding debts or provide relevant guarantees. In case of a merger, the credits and debts of the merging parties shall be assumed by the surviving or the new company.

In case of a division, the company's assets shall be divided and a balance sheet and an inventory of assets shall be prepared. When a resolution regarding the company's division is approved, the company should notify all its creditors within 10 days of the date of passing such resolution and publicly announce the division in newspapers or on the National Enterprise Credit Information Publicity System within 30 days. The liabilities of the company which have accrued prior to the division shall be jointly borne by the separated companies other than in the agreement in writing entered into by the company with creditors in respect of the settlement of debts prior to division, unless otherwise stipulated in the agreement in writing entered into by the company with creditors in respect of the settlement of debts prior to division.

**The PRC Securities Law, Regulations and Regulatory Regimes**

The PRC has promulgated a series of regulations that relate to the issue and trading of shares and disclosure of information. In October 1992, the State Council established the Securities Committee and CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating, and supervising all securities related institutions in the PRC, and administering CSRC. The CSRC is the regulatory executive body of the Securities Committee and is responsible for the drafting of regulatory provisions governing securities markets, supervising securities companies, regulating public offerings of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the two departments and reformed the CSRC.

On April 22, 1993, the State Council promulgated the Provisional Regulations Concerning the Issue and Trading of Shares (《股票發行與交易管理暫行條例》) governing the application and approval procedures for public offerings of shares, issuance of and trading in shares, the acquisition of listed companies, deposit, clearing, and transfer of shares, the disclosure of information, investigation, penalties and dispute resolutions with respect to a listed company.

The Securities Law of the PRC (《中華人民共和國證券法》) (the "PRC Securities Law") took effect on July 1, 1999, and was revised as of August 28, 2004, October 27, 2005, June 29, 2013, August 31, 2014, and December 28, 2019, respectively. The latest revised PRC Securities Law took effect on March 1, 2020. The PRC Securities Law is the first national securities law in the PRC, comprehensively regulating activities in the PRC securities market. It is divided into 14 chapters and 226 articles, including the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies, and the responsibilities of the securities registration and settlement institutions and securities regulatory authorities. Article 224 of the PRC Securities Law provides that domestic enterprises issuing shares overseas directly or indirectly or listing their shares overseas shall comply with the relevant provisions of the State Council. Currently, the issue and trading of foreign-issued securities (including shares) are principally governed by the regulations and rules promulgated by the State Council and CSRC.

**Arbitration and Enforcement of Arbitral Awards**

The Arbitration Law of the PRC (《中華人民共和國仲裁法》) (the "PRC Arbitration Law") was enacted by the SCNPC on August 31, 1994, which became effective on September 1, 1995, and was amended on August 27, 2009, and September 1, 2017. The PRC Arbitration Law is applicable to, among other matters, economic disputes involving foreign parties where all parties had entered into a written agreement to resolve disputes by arbitration before an arbitration committee constituted in accordance with the PRC Arbitration Law. The PRC Arbitration Law provides that an arbitration committee may, before the promulgation of arbitration regulations by the PRC Arbitration Association, formulate interim arbitration rules in accordance with the PRC Arbitration Law and the PRC Civil Procedure Law. Where the parties have agreed to settle disputes by means of arbitration, a people's court will refuse to handle a legal proceeding initiated by one of the parties at such people's court unless the arbitration agreement is invalid.

Under the PRC Arbitration Law and PRC Civil Procedure Law, an arbitral award shall be final and binding on the parties involved in the arbitration. If any party fails to comply with the arbitral award, the other party to the award may apply to a people's court for its enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any procedural irregularity (including irregularity in the composition of the arbitration committee, the making of an award on matters beyond the scope of the arbitration agreement, or the jurisdiction of the arbitration commission).

Any party seeking to enforce an award of a foreign affairs arbitral body of the PRC against a party or whose property is not located within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of the award. Likewise, an arbitral award made by a foreign arbitral body may be recognized and enforced by a PRC court in accordance with the principle of reciprocity or any international treaties concluded or acceded to by the PRC.

The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "New York Convention") adopted on June 10, 1958, pursuant to a resolution passed by the SCNPC on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by other parties thereto subject to their rights to refuse recognition and enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of that state. At the time of the PRC's accession to the Convention, the SCNPC declared that (I) the PRC would only apply the Convention to the recognition and enforcement of arbitral awards made in the territories of other parties based on the principle of reciprocity; and (II) the New York Convention will only be applied to disputes deemed under PRC laws to be arising from contractual or non-contractual mercantile legal relations.

An agreement has been reached between Hong Kong and the Supreme People's Court of the PRC for the mutual enforcement of arbitral awards. On June 18, 1999, the Supreme People's Court of the PRC adopted the Arrangement on Mutual Enforcement of Arbitral Awards between Mainland and Hong Kong Special Administrative Region (《關於內地與香港特別行政區相互執行仲裁裁決的安排》), which became effective on February 1, 2000. The Supreme People's Court of China issued the Supplementary Arrangements on the Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《關於內地與香港特別行政區相互執行仲裁裁決的補充安排》) on November 26, 2020, which went into effect on November 27, 2020. The arrangements reflect the spirit of the New York Convention. Pursuant to the arrangements, awards made by PRC arbitral authorities acknowledged by Hong Kong arbitration rules can be enforced in Hong Kong, and Hong Kong arbitration awards are also enforceable in mainland China. Where a court of the mainland China finds that enforcement in the mainland China of the ruling made by the Hong Kong arbitral authority will violate public interests of the mainland China, execution of the ruling may be ignored.

## SUMMARY OF MATERIAL DIFFERENCES BETWEEN HONG KONG AND THE PRC COMPANY LAW

As a joint stock limited company established in the PRC that is seeking an initial listing of shares on the stock exchange, we are governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law.

Set out below is a summary of certain material differences between Hong Kong company law applicable to a company incorporated in Hong Kong and the PRC Company Law applicable to a joint stock limited company incorporated and existing in accordance with the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

### Corporate Existence

According to the PRC Company Law, a joint stock limited company may be incorporated by promotion or raising.

### Share Capital

Under the PRC Securities Law, an application for listing shall comply with the listing rules of the stock exchange.

According to the PRC Company Law, a shareholder may make capital contributions in currency, or in kind, intellectual property, land use right, stock rights, creditor's rights or other non-monetary property that may be assessed in currency and transferred according to law, except the property that may not be used as capital contributions according to any law or administrative regulation. The non-monetary property as capital contributions shall be assessed and verified, which may not be overvalued or undervalued. If there are provisions on the assessment of value in any law or administrative regulation, such provisions shall prevail.

**Restrictions on Shareholding and Transfer of Shares**

Under the PRC law, the Unlisted Shares, which are denominated and subscribed for in Renminbi, can only be subscribed for and traded by PRC investors, qualified overseas institutional investors or qualified overseas strategic investors. Overseas listed shares, which are denominated in Renminbi and subscribed for in a foreign currency, may only be subscribed for, and traded by, investors from countries and regions outside the PRC or other qualified PRC institutional investors. If the H Shares are eligible securities under the Southbound Trading Link, they are also available for subscription and trading by domestic investors in the PRC pursuant to the rules and restrictions of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

According to the PRC Company Law, the shares issued before a company makes a public offering of shares shall not be transferred within 1 year as of the day when the stocks of the company are listed and traded on the stock exchange. Where it is otherwise provided for in any law, administrative regulation or by the securities regulatory authority of the State Council for the transfer of shares held by the shareholders or actual controllers of a listed company, such provisions shall prevail. The directors, supervisors and senior management of the company shall declare to the company the shares they hold and the changes thereof. During the term of office as determined when they assume the posts, the shares transferred each year shall not exceed 25% of the total shares they hold of the company. The shares of the company held by them shall not be transferred within 1 year as of the day when the stocks of the company are listed and traded on the stock exchange. Any of the aforesaid persons shall not transfer the shares of the company held within six months after he/she leaves office. Any other restrictions on the transfer of company shares held by directors, supervisors or senior executives may be specified in the articles of association.

**Notice of Shareholders' Meeting**

According to the PRC Company Law, notice of annual shareholder's meeting must be given not less than 20 days before the meeting, while notice of an interim shareholders' meeting must be given not less than 15 days before the meeting.

**Quorum for Shareholder's meeting**

The PRC Company Law does not specify any quorum requirement for a shareholder's meeting.

**Voting at Shareholder's meeting**

According to the PRC Company Law, a resolution made by the shareholders' meeting shall be adopted by the shareholders representing more than half of the voting rights.

A resolution made by the shareholders' meeting on modifying the articles of association, increasing or decreasing the registered capital, as well as merger, division, dissolution or change of corporate form of the company shall be adopted by the shareholders representing more than two thirds of the voting rights.

**Variation of Class Rights**

According to the PRC Company Law, where any of the matters occurs to a company that issues classified shares and may affect the rights of the classified shareholders, it shall not only be decided by the shareholders' meeting, but also be adopted by shareholders representing two thirds of the voting rights who are present at the classified shareholders' meeting.

**Directors**

According to the PRC Company Law, where any director directly or indirectly concludes a contract or conducts a transaction with his/her company, he/she shall report the matters relating to the conclusion of the contract or transaction to the board of directors or shareholders' meeting, which shall be subject to the resolution of the board of directors or shareholders' meeting according to the articles of association. Where any of the near relatives of the directors, or any of the enterprises directly or indirectly controlled by the directors, or any of their near relatives, or any of the related parties who has any other related-party relationship with the directors, concludes a contract or conducts a transaction with the company, the aforesaid provisions shall apply. Where a director is removed prior to the expiration of term of office without any justifiable reason, the director may require the company to make compensation.

The PRC Company Law, unlike the Companies Ordinance, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits to directors and guarantees in respect of directors' liability and prohibitions against compensation for loss of office without shareholders' approval.

**Board of Supervisors**

According to the PRC Company Law, if a joint stock limited company has a board of supervisors, the directors and senior management of the company are subject to the supervision of the board of supervisors.

**Derivative Action by Minority Shareholders**

According to the PRC Company Law, where any director, supervisor or senior management violates any law, administrative regulation or the articles of association during the performance of duties and causes any loss to the company, shareholders individually or jointly holding over 1% of the shares in the company for more than 180 consecutive days may request in writing the board of supervisors to initiate proceedings in the people's court. If the supervisors violate the relevant provisions of the Company Law, the above shareholders may request in writing the board of directors to initiate litigation at the people's court. Upon receipt of such written request from the shareholders, if the board of supervisors or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the people's court in their own name.

The Guidelines for the articles of association of Listed Companies also provide other remedies against the directors, supervisors and senior management who breach their duties to the company. In addition, as a condition to the listing of shares on the Stock Exchange, each director and supervisor of a joint stock limited company is required to give an undertaking in favor of the company acting as agent for the shareholders. This allows minority shareholders to take action against directors and supervisors of the company in default.

**Protection of Minorities**

The PRC Company Law provides that where a company meets any serious difficulty in its operation or management, and the interests of its shareholders will be subject to heavy loss if the company survives, which cannot be solved by any other means, the shareholders who hold 10% or more of the voting rights of the company may request the people's court to dissolve the company.

The Guidelines for the articles of association of Listed Companies also provide other remedies against the directors, supervisors and senior management who breach their duties to the company. In addition, as a condition to the listing of shares on the Stock Exchange, each director and supervisor of a joint stock limited company is required to give an undertaking in favor of the company acting as agent for the shareholders. This allows minority shareholders to take action against directors and supervisors of the company in default.

### Financial Disclosure

According to the PRC Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its financial report 20 days before its shareholders' meeting. In addition, a joint stock limited company of which the public offering Shares are offered should publish its financial report.

According to the PRC Company Law, a company shall at the end of each accounting year prepare a financial report which shall be audited by the accounting firm in accordance with the laws.

### Information on Directors and Shareholders

The PRC Company Law gives shareholders the right to inspect and copy the Articles of Association, minutes of the shareholders' meeting, resolutions of meetings of the board of directors or board of supervisors, and financial and accounting reports.

### Corporate Reorganization

According to the PRC Company Law, the merger, demerger, dissolution or change to the forms of a joint stock limited company has to be approved by shareholders at shareholder's meeting.

### Statutory Deductions

According to the PRC Company Law, a company shall draw 10% of the profits as its statutory reserve fund before it distributes any profits after taxation. When the aggregate amount of the company's statutory reserve fund reaches 50% of the company's registered capital, the company may no longer make allocations from the statutory reserve fund. After a company has made an allocation to its statutory reserve fund from its after-tax profit, it may make an allocation to its discretionary reserve fund from its after-tax profit upon a resolution approved at the shareholders' meeting.

### Remedies of Company

According to the PRC Company Law, if a director, supervisor or senior management in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or senior management should be responsible to the company for such damages.

**Dividend**

Under the PRC Company Law, the residual after-tax profits after a company has made up its losses and accrued reserve shall be distributed by the company in proportion to the shares held by its shareholders, except as otherwise provided for in the articles of association.

**Fiduciary Duties**

Under the PRC Company Law, directors, supervisors, managers and other senior management personnel of a company have the duty of loyalty and diligence to the company. Such persons shall abide by the articles of association of the company, perform their duties honestly and diligently, safeguard the interests of the company, and shall not use their position and authority in the company for their personal gain.

**Closure of Register of Members**

According to the PRC Company Law, the register of shareholders shall not be modified within 20 days before any shareholders' meeting is held, or within 5 days prior to the benchmark date decided by the company for the distribution of dividends. Where it is otherwise provided for in any law, administrative regulation or by the securities regulatory authority of the State Council for the modification of the register of shareholders of a listed company, such provisions shall prevail.

*This Appendix sets out summaries of the main clauses of our Articles of Association adopted on [January 19], 2025 which shall become effective as at the date on which the H shares are on the Stock Exchange. As the main purpose of this appendix is to provide potential investors with an overview of the Articles of Association, it may not necessarily contain all information that is important to potential investors. As discussed in the appendix headed "Appendix VIII — Documents Delivered to the Registrar of Companies in Hong Kong and Available on Display," the full document of the Articles of Association is available on display.*

## DIRECTORS AND BOARD OF DIRECTORS

### Power to allocate and issue Shares

The Articles of Association contain clauses that authorize the Board of Directors to issue shares. The Shareholders' Meeting of our Company may authorize the Board of Directors to decide on the issuance of not more than 50% of the issued shares within 3 years. However, if the capital contribution is made at the price of non-monetary property, it shall be resolved by the Shareholders' meeting.

### Power to dispose assets of our Company or any subsidiary

The Board of Directors shall determine the authority of external investment, acquisition and sale of assets, asset mortgage, external guarantee matters, entrusted financial management, connected transactions, and establish strict review and decision-making procedures; major investment projects shall be reviewed by relevant experts and professionals and reported to the Shareholders' Meeting for approval.

### Compensation or payments for loss of office

There are no provisions in the Articles of Association relating to compensation or payments for loss of office.

### Loans to Directors

There are no provisions in the Articles of Association relating to loans to directors.

### Provision of financial assistance for acquiring the Shares of the Company or shares of any subsidiary

There are no provisions in the Articles of Association relating to provide financial assistance for acquiring the Shares of the Company or shares of any subsidiary, unless for the purpose of Company's equity incentive plan(s) and employee shareholding schemes.

**Disclosure of interests in contracts with the Company or any subsidiary**

Directors shall not conclude any contract or engage in any transaction with the Company either in violation of the Articles of Association or without the approval of the Shareholder's Meeting.

**Remuneration**

The appointment and removal of the members of the Board of Directors as well as their remuneration and payment methods, shall be adopted by the Shareholders' Meeting by ordinary resolution.

**Retirement, appointment, removal**

The Board of Directors is composed of fifteen Directors. The Directors of the Company are elected by the Shareholders' Meeting. At any time, the Board of Directors should have more than one-third independent non-executive directors, and the total number of independent non-executive directors should not be less than three.

The Board of Directors has one chairman and may have a vice chairman. The chairman and the vice chairman of the Board of Directors shall be elected by more than half of all Directors.

Directors serve three-year terms, and the Director can be re-elected and reappointed at the end of the term. The term of office of a Director shall be calculated from the date of appointment until the expiration of the term of office of the current Board of Directors. If the term of office of a Director expires without timely re-election, the original Director shall still perform the duties of a Director in accordance with laws, administrative regulations, departmental rules, regulatory rules of the place where the Company's shares are listed ("**the Listing Place Rules**") and the provisions of these Articles of Association before the newly elected Director takes office.

None of the following persons shall serve as our Director:

(I) a person who has no capacity for civil conduct or having limited capacity for civil conduct;

(II) a person who has been sentenced to criminal punishment for corruption, bribery, encroachment on property, misappropriation of property or sabotage of the order of the socialist market economy, and less than five years have elapsed since the completion of the sentence, or having been deprived of his/her political rights as a result of a criminal conviction and five years have not elapsed since the date on which execution of the sentence was completed, two years have not yet elapsed from the date on which the probationary period of probation has expired;

(III) a person who has served as a Director, factory chief, or manager of an insolvent and liquidated company or enterprise and is held personally liable for such bankruptcy, and three years have not elapsed since the date when the insolvency and liquidation of the company or enterprise is completed;

(IV) a person who has served as the legal representative of a company or enterprise whose business license has been revoked or ordered to close down due to any violation of law, and is held personally liable for the revocation, and three years have not elapsed since the date when the revocation occurs;

(V) a person who is listed by the people's court as a judgment defaulter because the amount of debt he bears is relatively large and the debt is not paid off when it is due;

(VI) a person who has been prohibited from entering the securities market by the CSRC, and the time limit has not expired;

(VII) other contents stipulated by laws, administrative regulations, departmental rules, or the Listing Place Rules.

The election, appointment or employment of the Directors shall be invalid if such election, appointment or employment is against the Articles of Association. If a Director falls into the situations provided in the above-mentioned situations during his/her term of office, the Company shall dismiss his/her post.

**Borrowing Powers**

The Board of Directors shall be entitled to make resolutions for our Company to issue bonds and its Shares under the authorization of Shareholders' Meeting.

**Powers of the Board of Directors**

The Board of Directors shall exercise the following functions and powers:

(I) to convene Shareholders' Meeting and report to the Shareholders' Meeting;

(II) to implement resolutions of the Shareholders' Meeting;

(III) to decide on our Company's business plans and investment plans;

(IV) to formulate our Company's profit distribution plans and plans on making up losses;

(V) to formulate proposals for the increase or reduction of our Company's registered capital, the issuance of bonds or other securities of our Company and listing of Shares of our Company;

(VI) to formulate plans for our Company's major acquisition, selling, repurchase the Shares of our Company, or merger, division, dissolution or change of corporate form of our Company;

(VII) to make a resolution on external investment, acquisition and sale of assets, asset mortgage, external guarantee matters, entrusted financial management and connected transactions as authorized by the Shareholders' Meeting;

(VIII) to decide on establishment of internal management organs of our Company;

(IX) to decide on the appointment or dismissal of our Company's general manager and secretary of the Board; to decide to appoint or dismiss our Company's deputy general manager, financial director and other senior management personnel according to the nomination of the general manager, and decide on their remuneration, rewards and punishments;

(X) to formulate the basic management system of our Company;

(XI) to formulate proposals to amend the Articles of Association;

(XII) to manage our Company's disclosures;

(XIII) to propose to the Shareholders' Meeting the appointment or replacement of the accounting firm that provides audit service to our Company;

(XIV) to listen to the work report of the general manager of the company and inspect the work of the general manager;

(XV) other powers stipulated by laws, administrative regulations, departmental rules, the Listing Place Rules, or the Articles of Association.

Matters beyond the scope of authorization of the Shareholders' Meeting shall be submitted to the Shareholders' Meeting for deliberation.

Directors who have an associated relationship with the matters under resolution at the board meeting shall not exercise voting rights on such resolutions, nor shall they act on behalf of other directors to exercise voting rights. The board meeting may be convened with the attendance of more than half of the directors who have no associated relationship. Resolutions of the board meeting must be passed by a majority of the directors who have no associated relationship. If the number of non-associated directors attending the board meeting is less than three, the matter shall be submitted to the shareholders' meeting for deliberation.

### Secretary of the Board of Directors

Our Company shall establish a secretary to the Board of Directors, responsible for the preparation of our Company's Shareholders' Meeting and Board of Directors' meeting, retention of documents, management of our Company's Shareholder materials handling of information disclosure matters.

## ALTERNATIONS TO CONSTITUTIONAL DOCUMENTS

In any of the following circumstances, the Company shall amend its articles of association:

(I) after the revision of the PRC Company Law or relevant laws, administrative regulations and the Listing Place Rules, the matters stipulated in the Articles of Association are in conflict with the provisions of the amended laws, administrative regulations and the Listing Place Rules;

(II) the situation of the Company changes and is inconsistent with the matters recorded in the articles of association;

(III) the Shareholders' Meeting has decided to amend the articles of association.

If the amendment of the articles of association approved by the Shareholders' Meeting resolution requires approval by the competent authority, it must be submitted to the competent authority for approval; if it involves Company registration matters, change registration shall be handled in accordance with the law.

The Board of Directors shall amend the Articles of Association in accordance with the resolution of the Shareholders' Meeting and the approval opinions of relevant competent authorities.

The amendment of the Articles of Association constitutes to the information required to be disclosed by laws and regulations and shall be announced in accordance with regulations.

## SPECIAL RESOLUTIONS — MAJORED REQUIRED

The resolutions of the Shareholders' Meeting are categorized as ordinary resolutions and special resolutions. An ordinary resolution shall be adopted by a simple majority of the votes held by the Shareholders (including proxies) attending the Shareholders' Meeting. A special resolution shall be adopted by a two-thirds majority of the votes held by the Shareholders (including proxies) attending the Shareholders' Meeting.

## VOTING RIGHTS (GENERALLY AND ON A POLL)

Shareholders (including proxy) shall exercise their voting rights according to the number of voting Shares they represent, and each Share shall have one vote.

Any Shareholder who, in accordance with the Listing Place Rules, is required to waive their voting rights or is limited to only casting affirmative or negative votes on a certain matter shall waive their voting rights in accordance with the provisions. Any Shareholder vote or representative vote that violates relevant regulations or restrictions will not be counted in the voting results.

The Shares held by the Company do not have voting rights, and these Shares are not included in the total number of Shares with voting rights present at the Shareholders' Meeting.

When the Shareholders' Meeting deliberates on related transactions, affiliated Shareholders shall not participate in voting.

The Shareholders' Meeting adopts a registered voting method. The same voting right can only choose one of on-site, online or other voting methods. In case of repeated voting with the same voting right, the first voting result shall prevail.

Shareholders attending the Shareholders' Meeting shall express one of the following opinions on the proposal submitted for voting: affirmative, negative or abstention.

Where any ballot is not completed in full, is completed incorrectly or unintelligibly, or has no vote recorded, the voter shall be deemed to have waived his voting rights and the voting result for his shares shall be deemed as an "abstention".

## REQUIREMENTS FOR ANNUAL SHAREHOLDERS' MEETING

The Shareholders' Meeting are divided into annual Shareholders' Meeting and extraordinary Shareholders' Meeting. The annual Shareholders' Meeting shall be convened once a year and be held within six months of the end of the previous fiscal year.

## ACCOUNTING AND AUDITS

### Financial and accounting policies

The Company formulates its financial and accounting system in accordance with laws, administrative regulations, the Listing Place Rules and the provisions of the Chinese accounting standards.

The Company shall prepare a financial report at the end of each fiscal year, which shall be reviewed and verified in accordance with the law.

The Company shall not establish other accounting books except for statutory accounting books. The assets of the Company shall not be deposited in any account opened in the name of any individual.

**Appointment and Dismissal of Accountants**

The Company engages accounting firms that comply with the provisions of the Securities Law and the Listing Place Rules to conduct accounting statement auditing, net asset verification, and other related consulting services. The term of employment is one year and can be renewed. The appointment of an accounting firm by the Company must be decided by a majority of Shareholders at the Shareholders' Meeting, and the Board of Directors shall not appoint an accounting firm before the decision is made at the Shareholders' Meeting. The Company guarantees to provide the accounting firm it engages with true and complete accounting vouchers, accounting books, financial accounting reports, and other accounting materials, and shall not refuse, conceal, or falsely report.

The remuneration of an accounting firm or the method of determining remuneration shall be determined by the Shareholders' Meeting. When the Company dismisses or no longer renews the appointment of an accounting firm, the Shareholders' Meeting shall make a decision and notify the accounting firm 10 days in advance. When the Company's Shareholders' Meeting votes on the dismissal of an accounting firm, the accounting firm is allowed to state its opinions. If the accounting firm proposes to resign, it shall explain to the Shareholders' Meeting whether the Company has any improper circumstances.

**NOTICE AND AGENDA OF GENERAL SHAREHOLDERS' MEETING**

The Shareholders' Meeting is the organ of authority of the Company. The Company shall convene an extraordinary Shareholders' Meeting within two months from the date of the fact:

(I) the number of Directors is less than two-thirds of the number specified in the PRC Company Law or the Articles of Association;

(II) where the Company's unfunded losses reach one-third of the total Share capital paid in;

(III) where the Shareholder(s) who individually or jointly hold no less than 10% of the Company's Shares request(s) holding of such a meeting;

(IV) when deemed necessary by the Board of Directors;

(V) when the Board of supervisors proposes to convene such a meeting;

(VI) in other circumstances stipulated by laws, administrative regulations, departmental rules, the Listing Place Rules, or the Articles of Association.

The Supervisory Committee has the right to propose to the Board of Directors the convening of an extraordinary Shareholders' Meeting and shall submit it in writing to the Board of Directors. The Board of Directors shall, in accordance with laws, administrative regulations, the Listing Place Rules and the Articles of Association, provide written feedback on whether to agree or disagree with the convening of an extraordinary Shareholders' Meeting within ten days after receiving the proposal. If the Board of Directors agrees to convene an extraordinary Shareholders' Meeting, a notice of convening the Shareholders' Meeting shall be issued within five days after the Board of Directors' resolution is made. Any changes to the original proposal in the notice shall require the consent of the Supervisory Committee. If the Board of Directors does not agree to convene an extraordinary Shareholders' Meeting or fails to provide feedback within ten days after receiving the proposal, it shall be deemed that the Board of Directors is unable or fails to fulfill its duty to convene a Shareholders' Meeting, and the Supervisory Committee may convene and preside over it on its own.

Shareholders who individually or collectively hold 10% or more of the Company's Shares have the right to request the convening of an extraordinary Shareholders' Meeting from the Board of Directors and shall submit it in writing to the Board of Directors. The Board of Directors shall, in accordance with laws, administrative regulations, the Listing Place Rules and the Articles of Association, provide written feedback on whether to agree or disagree with the convening of an extraordinary Shareholders' Meeting within ten days after receiving the request. If the Board of Directors agrees to convene an extraordinary Shareholders' Meeting, it shall issue a notice of convening the Shareholders' Meeting within five days after making the Board resolution. Any changes to the original request in the notice shall be subject to the consent of the relevant Shareholders. If the Board of Directors does not agree to convene an extraordinary Shareholders' Meeting or fails to provide feedback within ten days after receiving the request, Shareholders who individually or collectively hold 10% or more of the Company's Shares have the right to propose to the Supervisory Committee to convene an extraordinary Shareholders' Meeting and shall submit a request in writing to the Supervisory Committee. If the Supervisory Committee agrees to convene an extraordinary Shareholders' Meeting, it shall issue a notice of convening the Shareholders' Meeting within five days after receiving the request. Any changes to the original proposal in the notice shall be approved by the relevant Shareholders. If the Supervisory Committee fails to issue a notice of the Shareholders' Meeting within the prescribed period, it shall be deemed that the Supervisory Committee has not convened and presided over the Shareholders' Meeting. Shareholders who individually or collectively hold 10% or more of the Company's Shares for more than 90 consecutive days may convene and preside over the Shareholders' Meeting on their own.

The Company holds a Shareholders' Meeting, and the Board of Directors, Supervisory Committee, and Shareholders who individually or jointly hold more than 1% of the Company's Shares have the right to submit proposals to the Company. Shareholders who individually or collectively hold more than 1% of the Company's Shares may submit temporary proposals and submit them in writing to the convener ten days prior to the convening of the Shareholders' Meeting. The convener shall issue a supplementary notice of the Shareholders' Meeting within two days after receiving the proposal, announcing the content of the temporary proposal.

Except for the circumstances specified in the preceding paragraph, the convener shall not modify the proposals listed in the notice of the Shareholders' Meeting or add new proposals after issuing the notice of the Shareholders' Meeting. Proposals that are not listed in the notice of the Shareholders' Meeting or do not comply with the provisions of the Articles of Association shall not be voted on and a resolution shall not be made by the Shareholders' Meeting.

The convener will notify all Shareholders by announcement 20 days before the annual Shareholders' Meeting is held, and the extraordinary Shareholders' Meeting will notify all Shareholders by announcement 15 days before the meeting is held. The notice of the Shareholders' Meeting shall be in writing and include the following contents:

(I) the time, location, and duration of the meeting;

(II) submit matters and proposals for review at the meeting;

(III) clearly state in writing that all Shareholders have the right to attend the Shareholders' Meeting and may appoint a proxy in writing to attend and vote at the meeting. The proxy does not need to be a Shareholder of the Company;

(IV) share registration date of the Shareholders entitled to attend the Shareholders' Meeting;

(V) name and phone number of the permanent contact person for conference affairs;

(VI) online or other voting time and voting procedure;

(VII) other requirements stipulated by laws, administrative regulations, departmental rules, the Listing Place Rules, and the Articles of Association.

The notice and supplementary notice of the Shareholders' Meeting shall fully and completely disclose all specific contents of all proposals, as well as all the materials or explanations required to enable the Shareholders to make a reasonable judgment on the matters to be discussed. If the matter to be discussed requires independent non-executive directors to express their opinions, the independent non-executive directors' opinions and reasons will be disclosed simultaneously when the notice of the Shareholders' Meeting or supplementary notice is issued.

The resolutions of the Shareholders' Meeting are divided into ordinary resolutions and special resolutions.

The following matters shall be passed by ordinary resolution at the Shareholders' Meeting:

(I) work reports of the Board of Directors and the Supervisory Committee;

(II) the profit distribution plan and loss recovery plan formulated by the Board of Directors;

(III) appointment or dismissal of the members of the Board of Directors and the Supervisory Committee (excluding the employee representatives), and formulate their salary plans;

(IV) to make decisions on the hiring and dismissal of accounting firms and the determination of remuneration for our Company;

(V) to review the Company's annual report;

(VI) other matters other than those required by laws, administrative regulations, the Listing Place Rules, or the Articles of Association to be passed through special resolutions.

The following matters shall be passed by special resolution of the Shareholders' Meeting:

(I) the increase or decrease in registered capital of the company;

(II) the divisions, mergers, dissolutions and liquidations;

(III) the amendment to the Articles of Association;

(IV) to review the Company's purchase, sale, and provision of guarantees within one year of material assets exceeding 30% of the company's total assets;

(V) to make decisions on the Company's equity incentive plan(s) and employee shareholding schemes;

(VI) other matters required by laws, administrative regulations, the Listing Place Rules or the Articles of Association, as well as those determined by ordinary resolutions of the Shareholders' Meeting with significant impact on the Company, and which require special resolutions to be passed.

## TRANSFER OF SHARES

The Shares of our Company issued before the company's public offering shall not be transferred within one year from the date of [**REDACTED**] and trading of the Company's shares on the stock exchange.

The Directors, Supervisors, and senior management of our Company shall declare, to our Company, information on their holdings of the Shares of our Company and the changes thereto. The Shares transferable by them during each year of their term of office shall not exceed 25% of their total holdings of a single class of Shares of our Company. The Shares that they hold in our Company shall not be transferred within one year from the date of [**REDACTED**] and trading of the Company's shares. The aforesaid persons shall not transfer their Shares of our Company within half a year from the date of their resignation.

If the Shares are pledged within the period of restriction on transfer stipulated by relevant laws and regulations, the pledgee shall not exercise the pledge within the period of restriction on transfer.

## POWER OF THE COMPANY TO PURCHASE ITS OWN SHARES

The Company shall not acquire its own Shares. However, except for one of the following situations:

(I) to reduce the registered capital of the Company;

(II) to merger with other companies holding Shares in the Company;

(III) to use Shares for employee shareholding schemes or as equity incentives;

(IV) to acquire the Shares of shareholders (upon their request) who vote against any resolution adopted at any Shareholders' Meeting regarding the merger or division of the Company;

(V) to use the Shares to satisfy the conversion of the convertible corporate bonds into Shares issued by the Company;

(VI) to safeguard corporate value and Shareholders' interests as the Company deems necessary.

(VII) other situations permitted by laws, administrative regulations, and Listing Place Rules.

The Company may choose one of the following ways to purchase its shares:

(I) public centralized trading;

(II) the manner of the offer;

(III) other ways permitted by laws, administrative regulations, the Listing Place Rules and other methods recognized by the CSRC.

## POWER OF ANY SUBSIDIARY OF THE ISSUER TO OWN SHARES IN ITS PARENT

The Company's holding subsidiaries are not allowed to acquire the Company's shares. If a holding subsidiary of the Company holds shares of the Company due to the merger of the Company, the exercise of pledge rights, etc., it shall not exercise the voting rights corresponding to the shares it holds, and shall dispose of the shares of the Company in a timely manner.

## PROXIES

Any Shareholder who has the right to attend and vote at the Shareholders' Meeting may attend the meeting in person or entrust others as their proxy to attend and vote on their behalf. The power of attorney issued by Shareholders authorizing others to attend the Shareholders' Meeting shall include the following contents:

(I) the name of the proxy;

(II) the matters and authority of the agency;

(III) respective instructions on affirmative, negative or abstention voting on each item for consideration listed in the Shareholders' Meeting's agenda;

(IV) date of issuance and validity period of the power of attorney;

(V) signature (or seal) of the Shareholder; If the Shareholder is a corporate Shareholder, the seal of the legal entity shall be affixed.

The power of attorney shall indicate the Shareholder's proxy can vote according to its own will if the Shareholder does not provide specific instructions.

## CALLS ON SHARES AND FORFEITURE OF SHARES

There are no provisions in the Articles of Association relating to calls on Shares and forfeiture of Shares of the Company.

## INSPECTION OF REGISTER OF MEMBERS

Our Company establishes a register of members based on the vouchers provided by the securities registration and settlement institution, which is sufficient evidence to prove that shareholders hold our Company's Shares. Shareholders shall enjoy rights and assume obligations according to the types of Shares they hold. Shareholders holding the same type of Shares shall have equal rights and assume the same obligations.

The transfer of Shares must be recorded in the register of members. In the register of shareholders of overseas listed foreign shares, the original part of the register of shareholders of holders of shares listed on the Hong Kong Stock Exchange shall be kept in Hong Kong.

When our Company convenes a Shareholders' Meeting, distributes dividends, liquidates, or engages in other activities that require confirmation of Shareholder identity, the Board of Directors or the convener of the Shareholders' Meeting shall determine the share registration date. After the share registration date is closed, the registered Shareholders shall be the Shareholders who enjoy the relevant rights and interests.

## QUORUM FOR SHAREHOLDERS' MEETING

There are no provisions in the Articles of Association relating to quorum for Shareholders' Meeting of the Company.

## RIGHTS OF THE MINORITIES IN RELATION TO FRAUD OR OPPRESSION THEREOF

If Directors and senior management personnel violate laws, administrative regulations, or the provisions of the Articles of Association while performing their duties, causing losses to our Company, Shareholders who individually or jointly hold more than 1% of our Company's Shares for more than 180 consecutive days have the right to request in writing that the Supervisory Committee file a lawsuit with the people's court; If the Supervisory Committee violates laws, administrative regulations, or the provisions of the Articles of Association while performing its duties, causing losses to our Company, the aforementioned Shareholders may request in writing that the Board of Directors file a lawsuit with the people's court. If the Supervisory Committee or the Board of Directors refuses to file a lawsuit after receiving a written request from the Shareholders specified in the preceding paragraph, or fails to file a lawsuit within 30 days from the date of receiving the request, or if the situation is urgent and the failure to file a lawsuit immediately will cause irreparable damage to our Company's interests, the Shareholders specified in the preceding paragraph have the right to directly file a lawsuit in their own name to the people's court for the benefit of our Company. If another person infringes on the legitimate rights and interests of our Company and causes losses to our Company, Shareholders who individually or jointly hold more than 1% of our Company's Shares for more than 180 consecutive days may file a lawsuit with the people's court in accordance with the provisions of the preceding two paragraphs.

If Directors, general managers, and other senior management personnel violate laws, administrative regulations, or the provisions of the Articles of Association and harm the interests of Shareholders, Shareholders may file a lawsuit with the people's court.

## PROCEDURES ON LIQUIDATION

Under the PRC Company Law, a company shall be dissolved for any of the following reasons:

(I) the expiration of the business term specified in these articles of association or the occurrence of other dissolution reasons specified in the Articles of Association;

(II) the Shareholders' Meeting resolves for dissolution;

(III) dissolution is required due to the merger or division of our Company;

(IV) the business license has been revoked, ordered to close down or dissolved in accordance with the law; and

(V) the Company is dissolved by a people's court in response to the request of Shareholders holding Shares that represent more than 10% of the voting rights of all Shareholders, on the grounds that there are serious difficulties in the operation and management of our Company and its continued existence will cause significant losses to the interests of Shareholders, which cannot be resolved through other means.

If our Company has the reasons for dissolution provided for in the preceding paragraph, it shall publicize the reasons for dissolution through the national enterprise credit information publicity system within 10 days.

The liquidation group shall notify creditors within 10 days of its establishment, and make an announcement in a newspaper or the national enterprise credit information publicity system within 60 days. Creditors shall declare their claims to the liquidation team within 30 days from the date of receiving the notice, or within 45 days from the date of announcement if they have not received the notice.

When applying for creditor's rights, creditors shall explain the relevant matters of the creditor's rights and provide proof materials. The liquidation committee shall register the creditor's rights. During the period of declaring creditor's rights, the liquidation committee shall not pay off the creditor.

After clearing our Company's assets, preparing a balance sheet and inventory of assets, the liquidation team shall formulate a liquidation plan and submit it to the Shareholders' Meeting or the people's court for confirmation. The remaining assets of our Company after paying the liquidation expenses, employee salaries, social insurance expenses, and statutory compensation, paying the outstanding taxes, and paying off our Company's debts shall be distributed by our Company according to the proportion of Shares held by Shareholders. During the liquidation period, our Company exists but cannot carry out business activities unrelated to liquidation. Our Company's assets will not be distributed to Shareholders until they have been paid off in accordance with the provisions of the preceding paragraph.

Upon liquidation of the Company's property and preparation of the required statement of financial position and inventory of assets, if the liquidation committee becomes aware that the Company does not have sufficient assets to meet its liabilities, it must apply to a people's court for a declaration of bankruptcy in accordance with the laws. Following such declaration of bankruptcy by the people's court, the people's court shall take over the administration of the liquidation procedure from the liquidation committee.

After the liquidation of our Company is completed, the liquidation committee shall prepare a liquidation report, submit it to the Shareholders' Meeting or the people's court for confirmation, and submit it to our Company registration authority to apply for deregistration of our Company, and announce the termination of our Company. Members of the liquidation committee are required to discharge their duties in good faith and perform their obligation in compliance with laws. Members of the liquidation committee are liable to indemnify the company and its creditors in respect of any loss arising from their willful or gross negligence.

Liquidation of a company which is declared bankrupt according to laws shall be processed in accordance with the laws on corporate bankruptcy.

## OTHER PROVISIONS MATERIAL TO THE ISSUER OR THE SHAREHOLDERS THEREOF

### General Provisions

Our Company is a permanently existing joint stock limited company.

All the assets of our Company are divided into Shares of equal value. The Shareholders are responsible for our Company to the extent of their subscribed Shares, and our Company is responsible for our Company's debts with all its assets.

From the effective date, this Articles of Association shall become a legally binding document regulating the organization and behavior of our Company, the rights and obligations between our Company and its Shareholders, and between Shareholders, and shall have legal binding force on our Company, Shareholders, Directors, Supervisors, and senior management.

### Share and Transfer

In light of our Company's operational and developmental needs, our Company may increase its capital in accordance with the laws and regulations and subject to a resolution of the Shareholders' Meeting, by any of the following methods:

(I) a public offering of shares;

(II) a private placement of shares;

(III) allotment of bonus shares to existing shareholders;

(IV) conversion of reserve funds to share capital;

(V) other methods permitted by laws, regulations, and Listing Place Rules or approved by CSRC and other competent authorities.

Our Company may reduce its registered capital. Any reduction of our Company's registered capital shall be subject to the procedures prescribed in the PRC Company Law and other relevant regulations, as well as the Articles of Association.

**Shareholders**

Shareholders are entitled to rights and assumes obligations pursuant to the classification of their shares.

Shareholders holding the same classified Share have the same rights and assume the same obligations. Shareholders of our Company shall enjoy the following rights:

(I) the right to dividends and other distributions in proportion to the number of Shares held;

(II) the right to apply for, convene, preside, attend or appoint proxies to attend Shareholders' Meeting and to exercise the corresponding right to speak and vote;

(III) the right to supervise, present proposals or raise enquiries in respect of our Company's business operations;

(IV) the right to transfer, give as a gift or pledge the Shares it holds in accordance with laws, administrative regulations and the Articles of Association;

(V) the right to inspect and copy the Articles of Association, Register of Shareholders, minutes of Shareholders' Meeting, resolutions of the Board of Directors and resolutions of the Board of Supervisors and accounting reports of Our Company;

(VI) in the event of the termination or liquidation of our Company, the right to participate in the distribution of the remaining property of our Company in proportion to the number of Shares held;

(VII) Shareholders who object to resolutions of merger or division made by the Shareholders' Meeting may request our Company to purchase Shares held;

(VIII) other rights provided for by laws, administrative regulations, departmental rules or the Articles of Association.

Where any Shareholder demands to read the relevant information or obtain any of the aforesaid materials, he shall submit to our Company written documents proving the class(es) and number of Shares he holds. Our Company shall provide the relevant information or materials in accordance with the Shareholder's demand after verifying the Shareholder's identity.

Shareholders of our Company shall have the following obligations:

(I) to abide by laws, administrative regulations, the Listing Place Rules and the Articles of Association;

(II) to pay the Share subscription price based on the Shares subscribed for by them and the method of acquiring such Shares;

(III) not to return Shares unless prescribed otherwise in laws and regulations;

(IV) not to abuse Shareholders' rights to infringe upon the interests of our Company or other Shareholders; not to abuse our Company's status as an independent legal entity or the limited liability of Shareholders to harm the interests of our Company's creditors;

(V) to assume other obligations required by laws, administrative regulations and the Articles of Association.

Any Shareholder who abuses Shareholders' rights and causes our Company or other Shareholders to suffer a loss shall be liable for making compensation in accordance with the law. Any Shareholder who abuses the status of our Company as an independent legal entity or the limited liability of Shareholders to evade debts and severely harm the interests of our Company's creditors shall assume joint and several liability for our Company's debts.

**Board of Supervisors**

Our Company has a Supervisory Committee. The Supervisory Committee consists of three supervisors, including one chairman. The chairman of the Supervisory Committee shall be elected by more than half of all supervisors. The chairman of the Supervisory Committee convenes and presides over meeting of the Supervisory Committee; If the chairman of the Supervisory Committee is unable or fails to perform his duties, a supervisor jointly elected by more than half of the supervisors shall convene and preside over the Supervisory Committee meeting.

The proportion of employee representatives in the Supervisory Committee shall not be less than 1/3 of the number of the Supervisory Committee. The employee representative in the Supervisory Committee shall be democratically elected by our Company's employees through the employee representative assembly, employee assembly, or other forms.

The Supervisory Committee shall exercise the following functions and powers:

(I) to review and give written opinions on the periodic reports of our Company prepared by the Board of Directors;

(II) to examine our Company's financial matters;

(III) to supervise the performance by the Directors and senior management of their duties to our Company and propose the dismissal of the Directors and senior management who violates laws, administrative regulations, the Articles of Association or the resolutions of the Shareholders' Meeting;

(IV) to demand rectification from the Directors and senior management when the acts of such persons are harmful to our Company's interests;

(V) to propose the convening of extraordinary Shareholders' Meeting; to convene and preside the Shareholders' Meeting in the event that the Board of Directors fails to perform its duties to convene and preside the Shareholders' Meeting in accordance with the PRC Company Law;

(VI) to submit proposals to the Shareholders' Meeting;

(VII) to file lawsuits against Directors and senior management in accordance with the PRC Company Law or the Articles of Association;

(VIII) in case of any queries or any abnormal matters during the business operation of our Company, to investigate, and if necessary, to engage professionals such as accounting firms or law firms to assist its work with expenses being borne by our Company;

(IX) other functions and powers as specified in the laws, administrative regulations and Articles of Association or granted by the Shareholders' Meeting.

**General Manager**

Our Company has one general manager and may have one or more deputy general manager, appointed or dismissed by the Board of Directors. The general manager, deputy general manager, financial director, secretary of the Board of Directors and other senior management personnel determined by the Board of Directors of the Company are the senior management personnel of the Company. The general manager shall be accountable to the Board of Directors and exercise the following functions and powers:

(I) to be in charge of the production, operation and management of our Company, to organize the implementation of the resolutions of the Board of Directors, and to report his/her works to the Board of Directors;

(II) to organize the implementation of our Company's annual business plans and investment plans;

(III) to draft plans for the establishment of our Company's internal management organization;

(IV) to draft our Company's basic management system;

(V) to formulate the specific rules and regulations of our Company;

(VI) to propose to the Board of Directors appointment or dismissal of deputy general manager or financial director;

(VII) to appoint or dismiss management personnel other than those required to be appointed or dismissed by the Board of Directors;

(VIII) such other functions and powers conferred by the Articles of Association, the Board of Directors or the Listing Place Rules.

The general manager shall attend the Board meeting as a nonvoting delegate and shall be responsible to the Board of Directors.

**Reserves**

In distributing its current-year after-tax profits, our Company shall allocate 10% of its profit to its statutory reserve fund.

Allocations to Company's statutory reserve fund may be waived once the cumulative amount of funds therein exceeds 50% of our Company's registered capital.

Where the statutory reserve fund is not sufficient to cover any loss made by Company in the previous year, the current year's profit shall be used to cover such loss before any allocation is made to the statutory reserve fund pursuant to the preceding paragraph.

After an allocation to the statutory reserve fund has been made from the after-tax profit of our Company, and subject to the adoption of a resolution by the Shareholders' Meeting, an allocation may be made to the discretionary reserve fund.

The remaining after-tax profit after our Company makes up for losses and withdraws provident fund shall be distributed according to the proportion of Shares held by Shareholders, unless prohibited by the Articles of Association.

If our Company distributes profits to shareholders in violation of laws, administrative regulations, regulatory rules of the place where the company's shares are listed, and the regulations of the relevant national competent authorities such as the CSRC, the shareholders shall return the profits distributed in violation of the provisions to the Company; if losses are caused to the Company, the shareholders and the directors, supervisors and senior managers who are responsible shall be liable for compensation.

Profits shall not be distributed to Shares held by the Company itself.

Our Company's provident fund is used to compensate for its losses, expand its production and operation, or convert it into an increase in our Company's capital.

The provident fund to make up for the Company's losses should first use the arbitrary provident fund and the statutory provident fund; if it still cannot be made up, the capital reserve may be used in accordance with the regulations.

After converting statutory reserve funds into capital, the amount remaining in the statutory reserve fund shall be no less than 25% of the Company's registered capital.

## 1. FURTHER INFORMATION ABOUT OUR COMPANY

### A. Incorporation

On May 3, 2018, our Company was established as a limited liability company in the PRC, with a registered capital of RMB1.00 million. On January 29, 2022, our Company was converted into a joint stock company with limited liability.

Our registered office is at 1/F, Building 4, No. 1699 Jinhe Road, China (Sichuan) Pilot Free Trade Zone, Chengdu, PRC. We have established a place of business in Hong Kong at 31/F., Tower Two, Times Square 1 Matheson Street, Causeway Bay Hong Kong, and have been registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on June 28, 2024. Ms. Yu Wing Sze has been appointed as our authorized representative for the acceptance of services of process and notices on behalf of our Company in Hong Kong. Our address for acceptance of service of process in Hong Kong is the same as the address of our principal place of business in Hong Kong.

As we are incorporated in the PRC, we are subject to the relevant laws and regulations of the PRC. A summary of the relevant aspects of laws and regulations of the PRC and our Articles of Association is set out in "Regulatory Overview" and Appendices VI and VII to this document.

### B. Changes in the Share Capital of our Company

The following sets out the changes in the share capital of our Company within two years immediately preceding the date of this document:

On November 10, 2022, our Company completed the SAMR registration in respect of the increase of its registered capital from approximately RMB30.71 million to approximately RMB30.96 million.

On April 17, 2023, our Company completed the SAMR registration in respect of the increase of its registered capital from approximately RMB30.96 million to approximately RMB32.67 million.

On August 1, 2023, our Company completed the SAMR registration in respect of the increase of its registered capital from approximately RMB32.67 million to approximately RMB33.01 million.

On August 21, 2023, our Company completed the SAMR registration in respect of the increase of its registered capital from approximately RMB33.01 million to approximately RMB35.14 million.

On December 26, 2023, our Company completed the SAMR registration in respect of the increase of its registered capital from approximately RMB35.14 million to approximately RMB35.16 million.

On March 20, 2024, our Company completed the SAMR registration in respect of the increase of its registered capital from approximately RMB35.16 million to approximately RMB35.22 million.

On December 23, 2024, our Company completed the SAMR registration in respect of the increase of its registered capital from approximately RMB35.22 million to approximately RMB36.98 million.

On January 3, 2025, our Company completed the SAMR registration in respect of the increase of its registered capital from approximately RMB36.98 million to approximately RMB38.31 million.

Save as disclosed above, there has been no alteration in the share capital of our Company during the two years immediately preceding the date of this document.

**C. Resolutions of the Shareholders of our Company dated January 19, 2025**

On January 19, 2025, the shareholders of our Company passed, among other things, the following resolutions:

(a) the sub-division of H Shares with nominal value of RMB1.0 each on the basis of 1:10, effective immediately prior to the [**REDACTED**], and taking into account the Share Subdivision, the issue of H Shares with a nominal value of RMB0.1 each and such H Shares be [**REDACTED**] on the Stock Exchange;

(b) the number of H shares to be issued shall be no more than [**REDACTED**] Shares, representing approximately [**REDACTED**]% of the total issued share capital of our Company as enlarged by the [**REDACTED**] (taking into account the Share Subdivision), and the grant of the [**REDACTED**] in respect of no more than 15% of the initial number of H Shares to be issued pursuant to the [**REDACTED**];

(c) subject to the CSRC's approval, upon completion of the [**REDACTED**] (taking into account the Share Subdivision), [**REDACTED**] Unlisted Shares will be converted into H Shares on a one-for-one basis;

(d) authorization to the Board or its authorized individual to handle all matters relating to, among other things, the [**REDACTED**], the issue and the [**REDACTED**] of H Shares on the Hong Kong Stock Exchange; and

(e) subject to the completion of the [**REDACTED**], the conditional adoption of the revised Articles of Association, which shall become effective on the [**REDACTED**].

### D. Subsidiaries of Our Company

#### *(a) Subsidiaries*

Certain details of our subsidiaries are set forth in the Accountant's Report in Appendix I to this document.

#### *(b) Changes in the share capital of our subsidiaries*

There has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this document.

## 2. FURTHER INFORMATION ABOUT OUR BUSINESS

### A. Summary of Our Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within two years preceding the date of this document which are or may be material, and a copy of each has been published on the Stock Exchange's website and our Company's own website:

(a) the capital increase agreement dated July 11, 2023 entered into among Ceyuan Youchan, Ceyuan Innovation, Hongtai Industrialization, Xinwu Fund, Guangdong Jiahao Investment, Beijing Xinghua Zhilian Investment, Yinfeng Rongjin, Qingchuang Bole Gongyu, Wuxi Tianyanxing, Dongguan Investment, Zhenye Aerospace, Shengren Investment, Hengkun Development Fund, Jiaxing Tianhai Desheng, Feng Meiqian, Huacang Yixing Investment, Aoyrise Industry, SME Development Fund, Tongkun Langtai, Hongtai Kuyu, Xinjiang Communications Construction, Kangjian Agricultural, Linzhi Zhengyuan, Guang Xin Development, Huizhou Yilin Investment, Hexing No. II Investment, CTG, Guangdong Wanquan Investment, Ouzhuo Enterprise, Hongyu No. I Enterprise, Shenzhen Capital Group, Galaxy Industry Group, Beijing New Era Space, Beijing Xingrong Yuhang, and the Company, pursuant to which Ceyuan Youchan and Ceyuan Innovation agreed to subscribe for 255,896 Shares and 85,299 Shares at the consideration of RMB30 million and RMB10 million, respectively;

(b) the capital increase agreement dated July 23, 2023 entered into among Qingda Honghe, Ceyuan Youchan, Ceyuan Innovation, Hongtai Industrialization, Xinwu Fund, Guangdong Jiahao Investment, Beijing Xinghua Zhilian Investment, Yinfeng Rongjin, Qingchuang Bole Gongyu, Wuxi Tianyanxing, Dongguan Investment, Zhenye Aerospace, Shengren Investment, Hengkun Development Fund, Jiaxing Tianhai Desheng, Feng Meiqian, Huacang Yixing Investment, Aoyrise Industry, SME Development Fund, Tongkun Langtai, Hongtai Kuyu, Xinjiang Communications Construction, Kangjian Agricultural, Linzhi Zhengyuan, Guang Xin Development, Huizhou Yilin Investment, Hexing No. II Investment, CTG, Guangdong Wanquan Investment, Ouzhuo Enterprise, Hongyu No. I Enterprise, Shenzhen Capital Group, Galaxy Industry Group, Beijing New Era Space, Beijing Xingrong Yuhang, and the Company, pursuant to which Xiamen Qingda Honghe No. 4 Investment Partnership (Limited Partnership) agreed to subscribe for 852,987 Shares at the consideration of RMB100 million;

(c) the capital increase agreement dated July 24, 2023 entered into among Haijin Xingyu, Qingda Honghe, Ceyuan Youchan, Ceyuan Innovation, Hongtai Industrialization, Xinwu Fund, Guangdong Jiahao Investment, Beijing Xinghua Zhilian Investment, Yinfeng Rongjin, Qingchuang Bole Gongyu, Wuxi Tianyanxing, Dongguan Investment, Zhenye Aerospace, Shengren Investment, Hengkun Development Fund, Jiaxing Tianhai Desheng, Feng Meiqian, Huacang Yixing Investment, Aoyrise Industry, SME Development Fund, Tongkun Langtai, Hongtai Kuyu, Xinjiang Communications Construction, Kangjian Agricultural, Linzhi Zhengyuan, Guang Xin Development, Huizhou Yilin Investment, Hexing No. II Investment, CTG, Guangdong Wanquan Investment, Ouzhuo Enterprise, Hongyu No. I Enterprise, Shenzhen Capital Group, Galaxy Industry Group, Beijing New Era Space, Beijing Xingrong Yuhang, and the Company, pursuant to which Haijin Xingyu agreed to subscribe for 852,561 Shares at the consideration of RMB99.95 million;

(d) the capital increase agreement dated July 26, 2023 entered into among Xiuhu Fund, Haijin Xingyu, Qingda Honghe, Ceyuan Youchan, Ceyuan Innovation, Hongtai Industrialization, Xinwu Fund, Guangdong Jiahao Investment, Beijing Xinghua Zhilian Investment, Yinfeng Rongjin, Qingchuang Bole Gongyu, Wuxi Tianyanxing, Dongguan Investment, Zhenye Aerospace, Shengren Investment, Hengkun Development Fund, Jiaxing Tianhai Desheng, Feng Meiqian, Huacang Yixing Investment, Aoyrise Industry, SME Development Fund, Tongkun Langtai, Hongtai Kuyu, Xinjiang Communications Construction, Kangjian Agricultural, Linzhi Zhengyuan, Guang Xin Development, Huizhou Yilin Investment, Hexing No. II Investment, CTG, Guangdong Wanquan Investment, Ouzhuo Enterprise, Hongyu No. I Enterprise, Shenzhen Capital Group, Galaxy Industry Group, Beijing New Era Space, Beijing Xingrong Yuhang, and the Company, pursuant to which Xiuhu Fund agreed to subscribe for 426,494 Shares at the consideration of RMB50 million; and

(e) the capital increase agreement dated September 28, 2023 entered into among Haijin Juying, Xiuhu Fund, Haijin Xingyu, Qingda Honghe, Ceyuan Youchan, Ceyuan Innovation, Hongtai Industrialization, Xinwu Fund, Guangdong Jiahao Investment, Beijing Xinghua Zhilian Investment, Yinfeng Rongjin, Qingchuang Bole Gongyu, Wuxi Tianyanxing, Dongguan Investment, Zhenye Aerospace, Shengren Investment, Hengkun Development Fund, Jiaxing Tianhai Desheng, Feng Meiqian, Huacang Yixing Investment, Aoyrise Industry, SME Development Fund, Tongkun Langtai, Hongtai Kuyu, Xinjiang Communications Construction, Kangjian Agricultural, Linzhi Zhengyuan, Guang Xin Development, Huizhou Yilin Investment, Hexing No. II Investment, CTG, Guangdong Wanquan Investment, Ouzhuo Enterprise, Hongyu No. I Enterprise, Shenzhen Capital Group, Galaxy Industry Group, Beijing New Era Space, Beijing Xingrong Yuhang, and the Company, pursuant to which Haijin Juying agreed to subscribe for 17,060 Shares at the consideration of RMB2 million; and

(f) the share transfer agreement dated November 20, 2023 entered into among Aoyrise Industry, Qingdao Juderong Financial and the Company, pursuant to which Aoyrise Industry agreed to transfer 167,811 Shares it owned in the Company to Qingdao Juderong Financial at the consideration of RMB19.67 million; and

(g) the capital increase agreement dated December 28, 2023 entered into among Neijiang High-tech Investment, Haijin Juying, Xiuhu Fund, Haijin Xingyu, Qingda Honghe, Ceyuan Youchan, Ceyuan Innovation, Hongtai Industrialization, Xinwu Fund, Guangdong Jiahao Investment, Beijing Xinghua Zhilian Investment, Yinfeng Rongjin, Qingchuang Bole Gongyu, Wuxi Tianyanxing, Dongguan Investment, Zhenye Aerospace, Shengren Investment, Hengkun Development Fund, Jiaxing Tianhai Desheng, Feng Meiqian, Huacang Yixing Investment, Qingdao Juderong Financial, SME Development Fund, Tongkun Langtai, Hongtai Kuyu, Xinjiang Communications Construction, Kangjian Agricultural, Linzhi Zhengyuan, Guang Xin Development, Huizhou Yilin Investment, Hexing No. II Investment, CTG, Guangdong Wanquan Investment, Ouzhuo Enterprise, Hongyu No. I Enterprise, Shenzhen Capital Group, Galaxy Industry Group, Beijing New Era Space, Beijing Xingrong Yuhang, and the Company, pursuant to Neijiang High-tech Investment agreed to subscribe for 58,600 Shares at the consideration of RMB10 million; and

(h) the capital increase agreement dated October 27, 2024 entered into among Wuxi Guoxing Fund, Neijiang High-tech Investment, Haijin Juying, Xiuhu Fund, Haijin Xingyu, Qingda Honghe, Ceyuan Youchan, Ceyuan Innovation, Hongtai Industrialization, Xinwu Fund, Guangdong Jiahao Investment, Beijing Xinghua Zhilian Investment, Yinfeng Rongjin, Qingchuang Bole Gongyu, Wuxi Tianyanxing, Dongguan Investment, Zhenye Aerospace, Shengren Investment, Hengkun Development Fund, Jiaxing Tianhai Desheng, Feng Meiqian, Huacang Yixing Investment, Qingdao Juderong Financial, SME Development Fund, Tongkun Langtai, Hongtai Kuyu, Xinjiang Communications Construction, Kangjian Agricultural, Linzhi Zhengyuan, Guang Xin Development, Huizhou Yilin Investment, Hexing No. II Investment, CTG, Guangdong Wanquan Investment, Ouzhuo Enterprise, Hongyu No. I Enterprise, Shenzhen Capital Group, Galaxy Industry Group, Beijing New Era Space, Beijing Xingrong Yuhang, and the Company, pursuant to Wuxi Guoxing Fund agreed to subscribe for 1,757,986 Shares at the consideration of RMB300 million; and

(i) the capital increase agreement dated November 21, 2024 entered into among Qingchuang Bole Fengqing, Wuxi Guoxing Fund, Neijiang High-tech Investment, Haijin Juying, Xiuhu Fund, Haijin Xingyu, Qingda Honghe, Ceyuan Youchan, Ceyuan Innovation, Hongtai Industrialization, Xinwu Fund, Guangdong Jiahao Investment, Beijing Xinghua Zhilian Investment, Yinfeng Rongjin, Qingchuang Bole Gongyu, Wuxi Tianyanxing, Dongguan Investment, Zhenye Aerospace, Shengren Investment, Hengkun Development Fund, Jiaxing Tianhai Desheng, Feng Meiqian, Huacang Yixing Investment, Qingdao Juderong Financial, SME Development Fund, Tongkun Langtai, Hongtai Kuyu, Xinjiang Communications

Construction, Kangjian Agricultural, Linzhi Zhengyuan, Guang Xin Development, Huizhou Yilin Investment, Hexing No. II Investment, CTG, Guangdong Wanquan Investment, Ouzhuo Enterprise, Hongyu No. I Enterprise, Shenzhen Capital Group, Galaxy Industry Group, Beijing New Era Space, Beijing Xingrong Yuhang, and the Company, pursuant to Qingchuang Bole Fengqing agreed to subscribe for 55,670 Shares at the consideration of RMB9.5 million; and

(j) the capital increase agreement dated December 9, 2024 entered into among Zhejiang Zhongjing, Dongtou Chantou, Taizhou Jintou, Taizhou SCOG, Qingchuang Bole Fengqing, Wuxi Guoxing Fund, Neijiang High-tech Investment, Haijin Juying, Xiuhu Fund, Haijin Xingyu, Qingda Honghe, Ceyuan Youchan, Ceyuan Innovation, Hongtai Industrialization, Xinwu Fund, Guangdong Jiahao Investment, Beijing Xinghua Zhilian Investment, Yinfeng Rongjin, Qingchuang Bole Gongyu, Wuxi Tianyanxing, Dongguan Investment, Zhenye Aerospace, Shengren Investment, Hengkun Development Fund, Jiaxing Tianhai Desheng, Feng Meiqian, Huacang Yixing Investment, Qingdao Juderong Financial, SME Development Fund, Tongkun Langtai, Hongtai Kuyu, Xinjiang Communications Construction, Kangjian Agricultural, Linzhi Zhengyuan, Guang Xin Development, Huizhou Yilin Investment, Hexing No. II Investment, CTG, Guangdong Wanquan Investment, Ouzhuo Enterprise, Hongyu No. I Enterprise, Shenzhen Capital Group, Galaxy Industry Group, Beijing New Era Space, Beijing Xingrong Yuhang, and the Company, pursuant to Zhejiang Zhongjing, Dongtou Chantou, Taizhou Jintou, Taizhou SCOG agreed to subscribe for 1,171,992 Shares at the consideration of RMB200 million; and

(k) the capital increase agreement dated December 23, 2024 entered into among Haikou Zongbao Fund, Zhejiang Zhongjing, Dongtou Chantou, Taizhou Jintou, Taizhou SCOG, Qingchuang Bole Fengqing, Wuxi Guoxing Fund, Neijiang High-tech Investment, Haijin Juying, Xiuhu Fund, Haijin Xingyu, Qingda Honghe, Ceyuan Youchan, Ceyuan Innovation, Hongtai Industrialization, Xinwu Fund, Guangdong Jiahao Investment, Beijing Xinghua Zhilian Investment, Yinfeng Rongjin, Qingchuang Bole Gongyu, Wuxi Tianyanxing, Dongguan Investment, Zhenye Aerospace, Shengren Investment, Hengkun Development Fund, Jiaxing Tianhai Desheng, Feng Meiqian, Huacang Yixing Investment, Qingdao Juderong Financial, SME Development Fund, Tongkun Langtai, Hongtai Kuyu, Xinjiang Communications Construction, Kangjian Agricultural, Linzhi Zhengyuan, Guang Xin Development, Huizhou Yilin Investment, Hexing No. II Investment, CTG, Guangdong Wanquan Investment, Ouzhuo Enterprise, Hongyu No. I Enterprise, Shenzhen Capital Group, Galaxy Industry Group, Beijing New Era Space, Beijing Xingrong Yuhang, and the Company, pursuant to Haikou Zongbao Fund agreed to subscribe for 105,479 Shares at the consideration of RMB18 million; and

(l) the [**REDACTED**].

## B. Intellectual Property Rights

### *(a) Patents*

As of the Latest Practicable Date, our Group has the following patents granted in the PRC which are considered by us to be or may be material to our business:

| No. | Patent Owner | Patent Name | Type | Patent No. | Grant Date |
|---|---|---|---|---|---|
| 1. . . . | The Company | 基於目標識別與模型匹配的三維重建方法、裝置及設備 | Invention | 202310731172.5 | 2024.10.15 |
| 2. . . . | The Company | 一種星上在軌雲檢測的方法、系統及設備 | Invention | 202310329619.6 | 2023.6.9 |
| 3. . . . | The Company | 太陽同步圓軌道衛星受曬因子計算方法、裝置及電子設備 | Invention | 202210002532.3 | 2022.3.11 |
| 4. . . . | The Company | 基於單服務的遙感影像自動化更新及歷史回溯方法及裝置 | Invention | 202111058463.X | 2021.12.7 |
| 5. . . . . | The Company | 微納衛星智能設計平台 | Invention | 201910376318.2 | 2021.1.12 |
| 6. . . . | Chengdu Xingshidai | 衛星控制方法及裝置 | Invention | 201911363616.4 | 2021.6.8 |
| 7. . . . | Chengdu Xingshidai | 多終端遙感衛星控制方法、裝置及可讀存儲介質 | Invention | 201911387504.2 | 2020.9.18 |
| 8. . . . | Shanghai Guoxing Zhilian | 基於衛星影像生成三維場景的方法、裝置、設備及介質 | Invention | 202211672162.0 | 2023.8.22 |
| 9. . . . | Shanghai Guoxing Zhilian | 一種衛星遙感影像道路識別方法、裝置、設備及介質 | Invention | 202211672238.X | 2023.4.7 |
| 10. . . . | Shanghai Guoxing Zhilian | 基於空天數據提取三維建築物輪廓的方法、裝置及設備 | Invention | 202211534739.1 | 2023.3.21 |

### *(b) Trademarks*

As of the Latest Practicable Date, the following trademarks have been registered in the name of the relevant member of our Group which are considered by us to be or may be material to our business:

| No. | Trademark Registrant | Trademark | Registration Number | Place of Registration | Class | Valid Period |
|---|---|---|---|---|---|---|
| 1. . . . | The Company | ADASPACE | 33102000 | China | 35 | 2020.4.28-2030.4.27 |
| 2. . . . | The Company | 国星宇航 | 31954841 | China | 9 | 2020.5.14-2030.5.13 |
| 3. . . . | The Company | 国星宇航 | 31923251 | China | 12 | 2020.5.14-2030.5.13 |
| 4. . . . | The Company | ADASPACE 国星宇航 | 306601536 | Hong Kong | 9, 39, 42 | 2024.4.7-2034.3.7 |

### *(c) Software Copyrights registered*

As at the Latest Practicable Date, we have registered the following software copyrights which we consider to be or may be material to our business:

| No. | Registered Owner | Copyright | Version Number | Registration Number | Registration Date |
|---|---|---|---|---|---|
| 1. . . | The Company | 三維數據資產管理平台 | V1.0 | 2024SR2113777 | 2024.12.18 |
| 2. . . | The Company | 衛星靈境引擎服務平台 | V1.0 | 2024SR1304962 | 2024.9.4 |
| 3. . . . | The Company | 城市三維動態成像系統 | V1.0 | 2018SR925794 | 2018.11.20 |
| 4. . . . | The Company | 基於智慧城市的遙感影像三維建模平台 | V1.0 | 2018SR883345 | 2018.11.5 |
| 5. . . . | Chengdu Xingshidai | 園區之眼系統 | V1.0 | 2020SR0352893 | 2020.4.21 |
| 6. . . . | Chengdu Xingshidai | 面向多源遙感衛星影像模擬分析處理系統 | V1.0 | 2018SR1065039 | 2018.12.25 |
| 7. . . . | Chengdu Xingshidai | 基於訓練樣本建築物自動識別系統 | V1.0 | 2018SR1065024 | 2018.12.25 |
| 8. . . . | Sichuan Xingshidai | XSD-16衛星星屏軟件 | V1.0 | 2024SR1338128 | 2024.9.10 |

| No. | Registered Owner | Copyright | Version Number | Registration Number | Registration Date |
|---|---|---|---|---|---|
| 9. . . . | Sichuan Xingshidai | 衛星姿軌控仿真分析評估平台 | V1.0 | 2024SR0724867 | 2024.5.28 |
| 10. . . | Sichuan Xingshidai | 衛星任務規劃仿真推演軟件 | V1.0 | 2022SR0363977 | 2022.3.18 |

### *(d) Domain Names*

As of the Latest Practicable Date, the following domain names have been registered in the name of the relevant member of our Group which are considered by us to be or may be material to our business:

| No. | Registered Owner | Domain Name | Effective Period |
|---|---|---|---|
| 1. . . . . . . . . . . . . | The Company | adaspace.com | 2022.3.15-2025.11.27 |

## 3. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUPERVISORS

### A. Particulars of Directors' and Supervisors' Contracts

Each of the Directors and Supervisors [entered into] a service contract or appointment letter with our Company. The principal particulars of these service contracts and appointment letters comprise (i) the terms of the service and (ii) termination provisions in accordance with their respective terms. The service contracts and appointment letters may be renewed in accordance with our Articles of Association and the applicable laws, rules and regulations.

Save as disclosed above, none of our Directors or Supervisors has or is proposed to have a service contract with any of our Group (other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation (other than statutory compensation)).

### B. Directors' and Supervisors' Remuneration

Save as disclosed in "Directors, Supervisors and Senior Management — Remuneration of Directors and Supervisors" and under Note 8 to the financial information in the Accountant's Report set out in Appendix I, no Director or Supervisor received any other fees, salaries, allowances, share based compensation, pension schemes contribution and other benefits in kind (if applicable) from our Company in respect of each of the year ended December 31, 2022 and 2023 and the nine months ended September 30, 2024.

Under the arrangement currently in force, the aggregate amounts of remuneration payable by our Company to our Directors and Supervisors for the year ending December 31, 2025 to be approximately RMB12.0 million. The actual remuneration of Directors and Supervisors in 2025 may be different from the expected remuneration.

## 4. DISCLOSURE OF INTERESTS

### A. Substantial Shareholders

Save as disclosed below and in the section headed "Substantial Shareholders" in this document, up to the Latest Practicable Date, our Directors were not aware of any other person, not being a Director, Supervisor or chief executive of our Company, who had an interest or short position in the Shares and underlying Shares of our Company, which following the completion of the [**REDACTED**], would fall to be disclosed to our Company under the provisions of Divisions 2 an 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the issued voting Shares of our Company or any member of our Group.

| Member of our Group | Person/Entity with 10% or more interest | Capacity | Approximate Percentage of Interest |
|---|---|---|---|
| Shenzhen Kongtian Chuangxin Technology Co., Ltd. (深圳空天創新科技有限公司) . . . . . . . . . . . | Guangdong Hengxin Fund Management Co., Ltd. (廣東恒信基金管理有限公司) | Beneficial interest | 10.0% |
| Shenzhen Kongtian Zhineng Chuangxin Technology Co., Ltd. (深圳空天智能創新科技有限公司) . . . . . . . . | CUHK (Shenzhen) Asset Management Co., Ltd. (港中大(深圳)資產經營有限公司) | Beneficial interest | 25.0% |
| Sichuan Star Times Zhineng Satellite Technology Co., Ltd. (四川省星時代智能衛星科技有限公司) . . . . | Chengdu Dianke Venture Capital Co., Ltd. (成都電科創業投資有限公司) | Beneficial interest | 10.0% |
| | Sichuan Electric Power Technology Internet Plus Industry Technology Research Institute Co., Ltd. (四川省電科互聯網加產業技術研究院有限公司) | Beneficial interest | 10.0% |
| | Guogao Venture Capital (Shenzhen) Co., Ltd. (國高成果創業投資(深圳)有限公司) | Beneficial interest | 10.0% |

| Member of our Group | Person/Entity with 10% or more interest | Capacity | Approximate Percentage of Interest |
|---|---|---|---|
| Guanghan Xingshidai Aerospace Technology Co., Ltd. (廣漢星時代宇航科技有限公司) | Guang Xin Development | Beneficial interest | 40.0% |
| Chengdu Guoxing Yuhang Wenhua Fazhan Co., Ltd. (成都國星宇航文化發展有限公司) | Li Linjun (李林軍) | Beneficial interest | 20.0% |
| | Sichuan Electric Power Technology Internet Plus Industry Technology Research Institute Co., Ltd. (四川省電科互聯網加產業技術研究院有限公司) | Beneficial interest | 20.0% |
| Tai'an Guoxing Dongyue Zhihui Technology Co., Ltd. (泰安市國星東岳智慧科技有限公司) | Tai'an Dongyue Construction Co., Ltd. (泰安市東岳建設有限公司) | Beneficial interest | 49.0% |
| Chengdu Guoxing Ronghai Technology Co., Ltd. (成都國星融海科技有限公司) | Chengdu Ronghai Yuntong Earthquake Resistant Technology Co., Ltd. (成都融海運通抗震科技有限責任公司) | Beneficial interest | 49.0% |
| Neijiang Guoxing Kongtian Technology Co., Ltd. (內江國星空天科技有限公司) | Neijiang High-tech Investment | Beneficial interest | 49.0% |
| Qingdao Guoxing Hainuo Zhihui Technology Co., Ltd. (青島國星海諾智慧科技有限公司) | Qingdao Hainuo Investment Development Co., Ltd. (青島海諾投資發展有限公司) | Beneficial interest | 49.0% |
| Chengdu Guoxing Gaowen Technology Co., Ltd. (成都國星高文科技有限公司) | Sichuan Gaowen Communication Technology Co., Ltd. (四川高文通信科技有限公司) | Beneficial interest | 49.0% |

## B. Directors, Supervisors or Chief Executives

Save as disclosed below and in the section headed "Substantial Shareholders" in this document, immediately following completion of the [**REDACTED**] (and assuming the [**REDACTED**] is not exercised), none of our Directors, Supervisors or chief executive of our Company has any interest and/or short position in the Shares, underlying Shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which has been taken or is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to our Company and the Stock Exchange (for this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors).

***Interests in our Company***

| | | | | As of the Latest Practicable Date | | Immediately following the completion of the Share Subdivision, the Conversion of [REDACTED] into H Shares and the [REDACTED] (assuming the [REDACTED] is not exercised) | | |
|---|---|---|---|---|---|---|---|---|
| Name | Position held within our Company | Type of Shares held | Nature of interest | Number of Shares held | Approximate percentage of shareholding interest in the total share capital | Number of Shares held | Approximate percentage of shareholding in the relevant type of Shares[2] | Approximate percentage of shareholding in the total issued Share capital of our Company |
| Dr. Lu Chuan . . | Executive Director and chairman of the Board | Unlisted Shares | Interests in controlled corporation[3] | 12,864,727 | 33.58% | [REDACTED] | [REDACTED] | [REDACTED] |
| Dr. Sheng Xitai | Non-executive Director | Unlisted Shares | Interest in controlled corporation[4] | 4,537,393 | 11.84% | [REDACTED] | [REDACTED] | [REDACTED] |
| | | H Shares | Interest in controlled corporation[4] | – | – | [REDACTED] | [REDACTED] | [REDACTED] |

*Notes:*

(1) All interests stated are long position.

(2) The calculation is based on the assumption that immediately following the completion of the Share Subdivision, the Conversion of Unlisted Shares into H Shares and the [**REDACTED**], there will be (i) a total number of [**REDACTED**] Unlisted Shares in issue; and (ii) a total number of [**REDACTED**] H Shares (including [**REDACTED**] H Shares converted from Unlisted Shares taking into account the Share Subdivision and assuming the [**REDACTED**] is not exercised) in issue.

(3) Dr. Lu Chuan is the general partner of Beijing Xingrong Yuhang and Beijing New Era Space. Therefore, Dr. Lu Chuan is deemed to be interested in the Shares respectively held by Beijing Xingrong Yuhang and Beijing New Era Space. As of the Latest Practicable Date, Beijing Xingrong Yuhang and Beijing New Era Space controlled 23.51% and 10.07% equity interests in our Company, respectively.

(4) The general partner(s) of (a) Hongtai Industrialization is Beijing Hongtai Tongchuang, (b) Hongtai Kuyu are Beijing Hongtai Tongchuang and Hongtai Lecheng, and (c) Wuxi Guoxing Fund is Wuxi Xingxin Co-Creation Investment. Beijing Hongtai Tongchuang, Hongtai Lecheng and Wuxi Xingxin Co-Creation Investment are ultimately owned by Dr. Sheng Xitai, our non-executive Director. As such, Dr. Sheng Xitai is deemed to be interested in the Shares held by Hongtai Industrialization, Hongtai Kuyu and Wuxi Guoxing Fund for the purpose of Part XV of the SFO.

## C. Disclaimers

Save as disclosed in this document:

(a) none of our Directors, Supervisors or chief executive of Our Company has any interests and short positions in the shares, underlying shares and debentures of our Company or any associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to us and the Stock Exchange, in each case once our Shares are listed. For this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors;

(b) none of our Directors or Supervisors is a director or employee of a company which is expected to have an interest in the Shares falling to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO once our Shares are [**REDACTED**] on the Stock Exchange;

(c) none of our Directors or Supervisor nor any of the parties listed in "— 5. Other Information — G. Qualification of Experts" is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to our business;

(d) none of our Directors or Supervisor nor any of the parties listed in "— 5. Other Information — G. Qualification of Experts" is interested in our promotion, or in any assets which have, within two years immediately preceding the issue of this document, been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to our Company;

(e) none of the parties listed in the paragraph headed "— 5. Other Information — G. Qualification of Experts": (i) is interested legally or beneficially in any of our Shares or any shares in any of our subsidiaries; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities; and

(f) save as disclosed in the section headed "Business" in this document, none of our Directors or Supervisors or their respective associates or any Shareholders of our Company (who to the knowledge of our Directors owns more than 5% of our issued share capital) has any interest in our five largest suppliers or our five largest customers.

## 5. OTHER INFORMATION

### A. Estate Duty

We have been advised that no material liability for estate duty under the PRC law is likely to fall upon our Company or any member of our Group.

### B. Litigation

As of the Latest Practicable Date, we were not involved in any material litigation, arbitration or administrative proceedings, and so far as our Directors are aware, no such material litigation, arbitration or administrative proceedings are pending or threatened against any member of our Group.

### C. Sole Sponsor

The Sole Sponsor has declared its independence pursuant to Rule 3A.07 of the Listing Rules.

The Sole Sponsor has made an application on our behalf to the Listing Committee for [**REDACTED**] of, and permission to deal in, our H Shares, including any [**REDACTED**] which may be issued pursuant to the exercise of the [**REDACTED**]. All necessary arrangements have been made to enable the H Shares to be admitted into CCASS.

We have entered into an engagement agreement with the Sole Sponsor, pursuant to which we agreed to pay a total amount of HKD4.8 million to Guotai Junan Capital Limited for acting as the Sole Sponsor to our Company in the [**REDACTED**].

### D. Compliance Advisor

We have appointed Guotai Junan Capital Limited as our compliance advisor in compliance with Rule 3A.19 of the Listing Rules.

## E. Preliminary Expenses

As of the Latest Practicable Date, our Company has not incurred material preliminary expenses.

## F. Promoters

The promoters of our Company consist of all of the 28 shareholders of our Company, as at January 29, 2022 before our conversion into a joint stock limited liability company, including Beijing Xingrong Yuhang, Beijing New Era Space, Galaxy Industry Group, Shenzhen Capital Group, Guangdong Wanquan Investment, Hongtai Kuyu, Huizhou Yilin Investment, Ouzhuo Enterprise, Hexing No. II Investment, SME Development Fund, Guang Xin Development, Hongyu No. I Enterprise, Tongkun Langtai, Kangjian Agricultural, Xinjiang Communications Construction, CTG, Linzhi Zhengyuan, Aoyrise Industry, Hengkun Development Fund, Qingchuang Bole Gongyu, Feng Meiqian, Huacang Yixing Investment, Tianhai Desheng, Wuxi Tianyanxing, Dongguan Investment, Shengren Investment, Yinfeng Rongjin and Zhenye Aerospace. For details of the promoters of our Company, please see "History, Development and Corporate Structure" of this document.

Save as disclosed in this document, within the two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given to the above promoters in connection with the [**REDACTED**] or related transactions in this document.

## G. Qualification of Experts

The qualifications of the experts, as defined under the Listing Rules, who have given their opinions or advice in the document, are as follows:

| Name | Qualification |
|---|---|
| Guotai Junan Capital Limited | A licensed corporation to conduct Type 6 (advising on corporate finance) regulated activity as defined under the SFO |
| PricewaterhouseCoopers | Certified Public Accountants under Professional Accountants Ordinance (Cap. 50)<br><br>Registered Public Interest Entity Auditor under Accounting and Financial Reporting Council Ordinance (Cap. 588) |
| Haiwen & Partners | Legal advisors to our Company as to PRC laws (including PRC data privacy and protection matters) |

| Name | Qualification |
|---|---|
| Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. | Independent industry consultant |
| Hogan Lovells | Legal advisors to the Company as to international sanctions laws |
| Jones Lang LaSalle Corporate Appraisal and Advisory Limited | Property valuer |

## H. Consents of Experts

Each of the experts as referred to in "— 5. Other Information — G. Qualification of Experts" has given, and has not withdrawn, its respective written consents to the issue of this document with the inclusion of its reports and/or letter and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

As of the Latest Practicable Date, none of the experts named above has any shareholding interests in any member of our Group or the right (other than the penal provisions) of section 44A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

## I. Taxation of Holders of H Shares

The sale, purchase and transfer of H shares are subject to Hong Kong stamp duty if such sale, purchase and transfer are effected on the H share register of members of our Company, including in circumstances where such transaction is effected on the Stock Exchange. The stamp duty is charged to each of the seller and purchaser at the ad valorem rate of 0.1% of the consideration for, or (if higher) the fair value of the H Shares being sold or transferred. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of the H Shares. In addition, a fixed duty of HK$5 is charged on each instrument of transfer (if required). For further information in relation to taxation, see "Appendix IV — Taxation and Foreign Exchange" in this document.

## J. No Material Adverse Change

Save as disclosed in this document, our Directors confirm that there has been no material adverse change in our financial or operational position since September 30, 2024, being the end date of our latest audited financial statements, and up to the Latest Practicable Date.

## K. Binding effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

## L. Related Party Transactions

Within the two years immediately preceding the date of this document, we have entered into the related party transactions as described in Note 39 to the financial information in the Accountant's Report set out in Appendix I.

## M. Miscellaneous

Save as disclosed in this document:

(a) within the two years immediately preceding the date of this document, we have not issued or agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash;

(b) no share or loan capital of our Group, if any, is under option or is agreed conditionally or unconditionally to be put under option;

(c) we have not issued or agreed to issue any founder shares, management shares or deferred shares;

(d) our Company has no outstanding convertible debt securities or debentures;

(e) there are no restrictions affecting the remittance of profits or repatriation of capital by us into Hong Kong from outside Hong Kong;

(f) within the two years immediately preceding the date of this document, no commission, discount, brokerage or other special term has been granted in connection with the issue or sale of any capital of our Company;

(g) there is no arrangement under which future dividends are waived or agreed to be waived;

(h) there has been no interruption in our business which may have or have had a significant effect on the financial position in the last 12 months; and

(i) none of the equity and debt securities of our Company, if any, is listed or dealt with in any other stock exchange nor is any [**REDACTED**] or permission to deal being or proposed to be sought.

## N. Bilingual Document

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

## 1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

(a) a copy of each of the material contracts referred to in the section headed "Statutory and General Information — 2. Further Information about Our Business — A. Summary of Our Material Contracts" in Appendix VII to this document; and

(b) the written consents referred to under the paragraph headed "Statutory and General Information — 5. Other Information — H. Consents of experts" in Appendix VII to this document.

## 2. DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be published on the website of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **https://www.adaspace.com/** up to and including the date which is 14 days from the date of this document:

(a) the Articles of Association;

(b) the Accountant's Report from PricewaterhouseCoopers, the text of which is set out in Appendix I to this document;

(c) the audited consolidated financial statements of our Group for the years ended December 31, 2022, 2023 and 2024;

(d) the report on the unaudited [**REDACTED**] financial information from PricewaterhouseCoopers, the text of which is set out in Appendix II to this document;

(e) the property valuation report prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the text of which is set out in Appendix III to this document;

(f) the service contracts referred to in the paragraph headed "Statutory and General Information — 3. Further Information about our Directors and Supervisors — A. Particulars of Directors' and Supervisors' Contracts" in Appendix VII to this document;

(g) a copy of each of the material contracts referred to in the section headed "Statutory and General Information — 2. Further Information about Our Business — A. Summary of Our Material Contracts" in Appendix VII to this document;

(h) the written consents referred to under the paragraph headed "Statutory and General Information — 5. Other Information — H. Consents of experts" in Appendix VII to this document;

(i) the legal opinions issued by Haiwen & Partners, our PRC Legal Advisor, in respect of the general corporate matters and the property interests of our Group under PRC law;

(j) the industry report issued by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., the summary of which is set forth in the section headed "Industry Overview" in this document; and

(k) the PRC Company Law together with unofficial English translations.